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West Europe Report

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20 JUNE 1986

WEST EUROPE REPORT

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POLITICAL

DENMARK

PROBLEMS FORESEEN FOR SDP, MILITARY WITH SF CABINET ROLE

Party Executive Would Control

Copenhagen BERLINGSKE AFTEN in Danish 2-8 May 86 pp 1-2

[Article by Solveig Rodsgaard: "The Labor Majority and Reality: SF's Laws Create Problems for the Red Government"; first paragraph is BERLINGSKE AFTEN introduction]

[Text] The power factor in SF [Socialist People's Party] is the Governing Body, which can dictate the policies of the Folketing group. The Governing Body will designate the ministers in an eventual government comprised of S [Social Democratic Party] and SF, and The Social Democrats must also wait for SF's Governing Body to take a position on political decisions.

It will be very difficult for an S-SF government to function--if the two parties can agree at all to form a red government when they have a majority.

Because in SF it is the party's Governing Body which has the real power, and it will therefore be the Governing Body which will designate eventual SF ministers and take positions on major political decisions which must be faced by an S-SF government. The calling in of the Governing Body is something which takes time, and such a lengthy decision-making process will greatly reduce a red government's power to act, at the same time as it will create great irritation in the Social Democratic Party.

The vice chairman of SF, Age Frandsen, recognizes the problem: "It is possible that SF's rules on calling in the Governing Body will appear a bit chaotic in an eventual government cooperation. It of course deviates somewhat from the normal method of government cooperation or cooperation between parties in reaching settlements. But we in SF have learned to live with these democratic rules, and even though they can cause problems in government cooperation I believe that we can handle them.

"We have, however, tested the situation of when SF is present in a wholly or half-formalized cooperation with the Social Democrats. In 1973, for example, SF's Governing Body was in to make a decision on the housing compromise, which was approved. In May of 1982 it was the question of the youth package,

and in 1979 the Governing Body had to make a decision on negotiations with the Social Democrats concerning the OD [Economic Democracy] proposal. It was rejected."

Just that situation is not forgotten by the Social Democrats--or by SF, for that matter. SF's Folketing group would rather negotiate with the S government about the government's OD proposal, but to the great surprise of the leadership of the Folketing group the Governing Body totally rejected negotiations. The majority of the Governing Body based its rejection on that the demand for OD should come from the workplaces and not from the leadership of LO [Danish Trade Union Congress]. SF's no in 1979 blocked further action on OD for many years.

New Governing Body

It will be the new Governing Body which was elected last Sunday at the SF congress which will have the power of life and death over the party's line after a Folketing election. The Governing Body takes office for two years, and as the next Folketing election will come before January 1988 it will be the Governing Body which was just elected which will make the decision on a red government, if a labor majority is produced by the election.

In the SF law it is established that the party's leadership is the Governing Body. At the moment it consists of 38 persons besides the party chairman Gert Petersen. Twenty-three members are elected at the party congress, the 15 others are elected by the counties. A maximum of six of the Governing Body can be Folketing members. The Governing Body also selects the Executive Committee, and SF's new Executive Committee will for that matter take their seats tomorrow. In the Executive Committee the "automatic" members are the party chairman, vice chairman and chairman of the Folketing group (therefore today they are Gert Petersen, Age Frandsen and Ebba Strange), and six who are chosen by the Governing Body.

The party's highest authority is the national congress, which is held every year on the weekend of St. Bede's Day. The Governing Body is responsible for seeing that the main lines established by the congress are followed, and are appropriate to the development of the situation, and "the Folketing group must carefully inform the Governing Body about its work," as it says in the party's law.

"Cooperation with other parties, which rests on written or other expressed agreement and does not just deal with one single issue, will be presented to the Governing Body before the agreement is confirmed, and can only be entered into if a vote of the Governing Body gives a majority in favor." it says in the conditions for cooperation.

Under these laws the Governing Body will first decide whether SF will enter negotiations about government cooperation with S if a labor majority comes in following the next election. Next the Governing Body will will approve the "law catalogue" which SF's representatives on the Folketing group will take into negotiations and for later approval if the negotiations are approved or rejected. If the results are approved the formation of the government can

begin, but then it is the SF Governing Body who will tell the incoming Social Democratic prime minister whom SF wants in the government and in which posts. If this all falls into place it is the Governing Body which will approve the S-SF government's law catalogue and the prime minister's opening speech--and thereafter keep watch over what the labor government wants to do. All together it is something that can be used by the nonsocialist opposition parties, not to mention the split it can cause in a red government, when the Social Democrats are waiting for SF to call in its Governing Body and thereby be legally constituted.

Dramatic

The new SF Governing Body is judged to be relatively conservative in relation to the wish for S-SF government cooperation. Sources in SF point out, however, that those recommending government cooperation received more votes than the party members who absolutely reject government cooperation.

Age Frandsen evaluates the SF congress as follows: "I believe the common line is that SF is interested in having a labor majority in order to get some results--but not at any price. Of course SF can enter into agreements and make compromises, but there are certain limits as to how far we can go. On the one side we can establish a certain responsible line, and on the other side we will follow the fundamental line.

It was dramatic at the end, when the congress' main political statement about a labor majority was to be made. The congress approved placing S-SF cooperation ahead of a formalized cooperation. But previously there had been a vote on a proposal from the party branch in Randers to equate the two forms of cooperation. The proposal was first approved, but as the vote was 139 - 137 there was another vote in which the proposal was rejected 158-141. According to SF members that is a vote which will be remembered, because it shows that a very large minority will not automatically raise the priority of government cooperation, and therefore there is much uncertainty about the consequences for SF of participating in government cooperation.

Party Conference

There were also problems for the Editorial Committee, which was to put together the main political statement. Uncertainty about the form of the cooperation between S and SF caused MP's Asbjorn Agerschou and Kjeld Rahbaek Moller from the Editorial Committee to work out a proposal that an extra congress convene after the end of the year to take a position on SF's demand for a labor majority government, and former MP Holger K. Nielsen made another proposal for an extra congress. But these proposals were soundly defeated by other MP's and delegates because they thought they would restrict the freedom of action of the party leadership. The delegates were also warned that an extra congress would give the impression of uncertainty in the party. A compromise proposal was worked out in haste by MP Steen Gade and the outgoing member of the Governing Body Lars Meyer, and it was approved. According to that, SF would hold a party conference in the fall on the demands for government cooperation, and if there has not been a Folketing election before, these demands would be a main point for SF's congress in 1987.

Besides the main political statement an EC statement was also approved, which maintains SF's opposition to the EC, but at the same time emphasizes that the demand for Danish withdrawal from the EC is no longer a condition for SF's eventual participation in government cooperation.

A statement about OD (economic democracy) and AD (labor democracy) links the two concepts together. It says that OD will be chained together with "wage earners getting decisive influence--in relation to the employer's right to lead and distribute the work--for example with introduction of new technology, with environmental and security questions and employment and separations."

Defense and Security Policy

But regardless of statements about a labor majority and the debate over a coming party conference, the most sensitive point in the eventual government negotiations between S and SF is the defense and security policy. At the national congress SF approved a new peace and security policy program, after the congress had been presented with three variations of a program plus a number of recommended changes from party associations, groups and individuals. The proposal from a number of SF members--the so-called NATO realists--about Denmark remaining in NATO was totally buried and was withdrawn by the proposers. Among them was MP Margrete Auken, who was received with great coolness by the congress in general. The proposal was supported by the custodians, those members of SF who adhere to SF's original antimilitary line, who appeared to be totally without backing at the congress. The new peace and security policy program is a compromise between the line which Gert Petersen favors and the line of the custodians, and it was approved by an overwhelming majority. The program does not include the ideas about a defensive defense.

In the new program it is established that SF is prepared to enter into a defense compromise with other parties. But the demands are: "(1) Cutting the military budget, (2) take concrete steps to get rid of all offensive weapons (that includes among other things getting rid of the F-16 aircraft, submarines, tanks and all weapons which can be used in fighting a nuclear war.) Danish defense in a real disarmament phase will emphasize the principle of being as defensive and non-threatening as possible. The most consistent outcome of that principle will be a purely nonmilitary defense."

Over the short term SF wants to liberate Denmark from part of NATO cooperation. That will happen by unilaterally leaving NATO's Nuclear Planning Group and by declaring that Denmark is a nuclear weapon free zone. Reinforcement agreements with the United States and NATO will be terminated, foreign military bases in Denmark removed, and there will be a break with the NATO integrated command system, including the Danish-German unit command.

A number of these things will be impossible for the Social Democrats to swallow. The party will not change the reinforcement agreements, bases and the integrated command system, and statements from the Social Democrat security policy spokesman Lasse Budtz, that defense and security policy could be left out of a real government agreement, are flatly rejected by SF.

"It is totally inconceivable that defense and security policy will be left out of a S-SF government. One party can not be free to enter agreements with the opposition on, for example, defense compromises," said Age Frandsen

SDP Trapped by SF

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Copenhagen BERLINGSKE TIDENDE in Danish 3 May 86 p 8

[Article by Ole Dall: "Election Expert: S Is Trapped by SF"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Social Democrats are obliged to emphasize cooperation with SF, but at the same time the party is scaring away its rightwing and having a hard time winning back former S voters, who now vote nonsocialist. That is the opinion of election expert Hans Jorgen Nielsen.

"The Social Democrats are really trapped. The party is obliged to say that they will cooperate with SF, but at the same time they run the risk of frightening the Social Democrat rightwing, and in emphasizing an S-SF government it will be difficult to get the voters back who were 'loaned out' to the nonsocialist parties."

Election Theme

These are the comments of assistant professor Hans Jorgen Nielsen, Institute for Social Studies at Copenhagen University, continuing the discussion about an S-SF government. Hans Jorgen Nielsen is one of the country's foremost election experts, and he pointed out to BERLINGSKE TIDENDE a number of election strategy problems for the Social Democrats which are now in direct conflict with government cooperation with SF.

"No Social Democrat will now say that they do not want to try an S-SF government, but it is known that many Social Democrats are extremely skeptical. Social Democrat enthusiasm is being exaggerated these days," said Hans Jorgen Nielsen.

- Will a possible S-SF government be the major election issue in the election campaign?

"Yes, I believe so. If the two parties present themselves as a government alternative, that will be the main issue of the election campaign."

Problems

Hans Jorgen Nielsen anticipates that S-SF's economic policies can cause problems.

"Can an S-SF government appear with something like a combined policy? Here is a problem. They can talk about social restoration, but the nonsocialists will try to trip S-SF on whether they can be economically 'thick skinned.' Can they be convincing that they also want economic restoration--at the same time as daily allowances are being raised and cost of living allowances are being

introduced? That which can save S-SF is that possibly the nonsocialists will not be successful in rectifying the balance of payments, and then S-SF can say, 'What good did that do?'"

Hans Jorgen Nielsen predicts concern in business with a red cabinet--"There will be some movement in the stock market"--and he added:

"It will be difficult for an S-SF government to say no to wage increases and demands for social compensations. There will be built-in tensions. There will be some expectations which the government will find it difficult to meet."

Utilizing Fear

- Do you believe that the nonsocialist parties will utilize the Social Democratic rightwing's fear of an S-SF government?

"Yes, they will hit upon all the problems in order to tie restoration and financing together. Where is the money coming from, they will say. The Social Democrats will have a hard time winning the Social Democratic voters back, who in 1982 voted nonsocialist. These voters will be frightened by social democracy.

"But if they are mainly reliable as the government party, the Social Democrats must say with whom they will cooperate. They can not go out and say that they will govern with the Center Democrats and the Christian People's Party--and it is also a little doubtful with the Radical Liberals.

"SF is the only possibility. The leftwing has been strengthened together, but in the beginning of the 1980's people left the Social Democratic Party. It is SF which is successful. The Social Democrats are stagnating," said Hans Jorgen Nielsen.

NATO Membership Would End

Copenhagen BERLINGSKE TIDENDE in Danish 9 May 86 p 12

[Op Ed Article by Hans Engell, Danish Minister of Defense: "Defense Signals From SF's Latest Political Congress"]

[Text] A number of years ago I had the job as a journalist of covering a couple of national congresses of the Socialist People's Party [SF]. It was an exciting task--with considerable entertainment value. They held discussions well into the night, and the heaps of papers with proposed resolutions, counterproposals, proposed changes, alternative proposals and finally approvals made one nearly snowblind. It was an amusing bit of illusory politics--SF was of course a small party, but politically uninteresting because it had no influence on real political decisions.

It is not like that today. The fickleness of social democracy--Anker Jorgensen's continuous conjectures about a red government alternative, which he himself can hardly believe in the validity of, has made it possible for SF

to grow large at the cost of the Social Democrats [SDP]. It is SDP's responsibility that SF today is a central political factor. And it can remain so, unless SDP once and for all makes it clear to SF that Denmark's political future can not be built on economic and foreign policy irresponsibility.

Most seriously this uncertainty also creates doubt about the outlook for the future of defense and foreign policy. At the SF national congress a defense policy program was approved which had as its main points the following:

- (1) Drastic reduction of the current defense budget,
- (2) Complete change in the structure of the defense which will create difficulties in relation to integrated military cooperation,
- (3) A break with a number of decisive elements in NATO strategy.

The party does not hide the fact that its final goal is a definite Danish withdrawal from NATO cooperation and--as the party's defense spokesman Pelle Voigt says, "What is new is that we are holding firmly to our goals, but we are prepared to achieve them gradually. Through a defense compromise with SDP."

What is deeply disturbing is that social democratic leadership has not clearly and definitely stated that such a basis is totally unacceptable. If SF's policy becomes the foundation for a coming government cooperation it will be the beginning of the end for Danish NATO membership. It was a few months ago that SF recommended in the Folketing that the entire defense budget be eliminated at one stroke. Now they are apparently inclined toward reducing their demands--but that does not change the fact that even smaller reductions in the defense budget will hit defense credibility especially hard. At this time we have very large problems both in the personnel and material areas. Reductions will make these problems much greater.

SF's proposal for a defensive defense will be totally destructive to our ability to defend Danish territory. It will be a defense without credibility, without sufficient endurance--and without the possibility of receiving reinforcements from allied countries. Within the unit command structure Denmark will be an unreliable partner in cooperation. We will not even in peacetime have the ability to maintain our sovereignty and we will not receive the necessary warning which is a condition for readiness, including mobilization.

If Denmark withdraws from the NATO nuclear planning group--as SF recommends--it will be the same as turning our backs on the strategy that countries in the alliance have approved in common and which for more than 30 years has guaranteed peace and freedom in our part of the world. At the same time it is a step which definitely does not serve Danish security interests. But it will be the beginning of the process which will take Denmark entirely out of the alliance.

Social Democrat politicians often emphasize that they see no alternative to Danish NATO membership. We others totally agree with that. But we must not

overlook the fact that membership in the alliance is built on a number of concrete conditions which cannot be eliminated without disturbing our participation in the alliance. Membership in an alliance whose strategy we disagree with, whose military buildup we fight, whose development we oppose, lacks real content. Therefore we must say a definite no to SF and VS [Left Socialist Party]. They do not conceal the fact that their goal is final withdrawal of cooperation, but their viewpoint is that as long as that does not succeed they can use the time to destroy the cooperation from within, annoy the alliance partners and obstruct all common decisions. That is the same as acting as a Trojan horse with a policy which will turn Denmark into a completely unreliable alliance partner and quickly distance us from the other member countries. With such a policy, SDP will become the hostage of SF's long time political goal, and thereby act in complete disagreement with the party's declared policy of today.

SF's defense and security policy is also a good expression of the lack of a sense of reality which stamps parts of the debate in this area. As a free and independent country, Denmark naturally has the right to make its own judgments and express them. But Danish defense and security policy can not now be perceived as something in complete isolation and independent of others. We cannot change our geographic location. We have an established point of departure as it concerns the military threat aimed at Danish territory. We do not care much for nuclear weapons, but we cannot eliminate something which has been invented. We can wish for a more open and direct dialogue between East and West, but we cannot overlook the fundamental differences which stamp our social systems. And a number of other factors which cannot just be ignored when discussing Danish defense policy.

At the conclusion of SF's national congress the party's security policy spokesman, Jens Thoft said the following: "Our dream is that the Social Democrats have made their last compromise with the nonsocialists. The current compromise runs out next year, and we will be there. At the same time we have eliminated one of the last obstacles to government cooperation with SDP. From now on the responsibility is social democracy's."

For once I can partly agree with Thoft: The responsibility is SDP's. It is SDP which has the responsibility for ensuring that SF and VS do not get decisive influence on Danish foreign and security policy. It is SDP which must clearly and positively demonstrate that SF's defense policy program will never become the basis for a government which desires a credible Danish defense policy. We wait in suspense.

9287

CSO:3613/126

POLITICAL

DENMARK

RADICAL LIBERAL CHIEF DOUBTS SDP, SF COULD HANDLE ECONOMY

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 86 p 7

[Article by Thorkild Dahl: "Niels Helveg: S and SF Must Begin Negotiations Now"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The radical leader questions whether the refusal of the Social Democrats [S] to negotiate a labor majority policy with the Socialist People's Party [SF] until after the Folketing election "is fair to the voters." Niels Helveg Petersen believes that SF's economic promises cannot be afforded.

"The Social Democrats must enter discussions with SF about a policy for a labor majority. SF has made economic promises which will put internal pressure on an S-SF coalition, because there is no basis for the promises. We must know who will be the main beneficiaries of the SF promises."

This was said by Radical Liberal Party [RV] leader Nils Helveg Petersen to BERLINGSKE on Sunday, and he added that SF has said that it would compromise on NATO and the EC, but "what about that more brutal subject, public expenditures?"

"If the idea of a labor majority is to be taken seriously, SF cannot lie back comfortably in its hammock on these issues, which will be decisive for whether an eventual government cooperation can last longer than the 13-14 months that was the norm on the two previous occasions when S and SF had a majority together," said Niels Helveg Petersen.

The radical leader believes that it is refreshing to observe SF, as it approaches political responsibility, discover that political reality requires compromise and negotiation.

"One can reproach SF because that realization has come so late, and one can deplore that the party, for so many years, has won rising voter support by unrealistic agitation without consideration of political reality," said Niels Helveg Petersen.

The leader of the Radical Liberal Party said that the leader of SF, Gert Petersen, in certain areas is slowly and with difficulty swinging one leg over

the edge of the hammock and trying to reach the ground, but in economic policy and especially the policy for public expenditures there is no movement at all.

"The more SF busies itself with political reality the more rapidly they will learn that they cannot afford to carry out all the promises for social and income improvement," said Niels Helveg Petersen.

The radical leader believes it is too late for discussions after a Folketing election, as S insists, and Niels Helveg Petersen said that SF has an "obvious right" to demand discussions with S now, because "is it fair to the voters to wait until after a Folketing election?"

9287

CSO:3613/136

POLITICAL

SECRET

POLL INDICATES SDP, SOCIALIST PEOPLE'S PARTY LACK STRENGTH

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 86 p 10

[Article by Thorkild Dahl: "S and SF Lack the Strength to Gain Control of the Government"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] If a Folketing election were held today only seven parties would win seats, and that is the smallest number since 1971. While the Radical Liberal Party [RV] and the Progressive Party [FKP] gained strength in the January 1984 election, both the Christian People's Party [KRF] and the Left Socialist Party [VS] are below the minimum limit.

The Social Democrat Party [S] and the Socialist People's Party [SF] still do not have the voter support for the creation of the red cabinet which the SF delegates advocated at their congress, and which leading Social Democrats in their May Day speeches presented as the political alternative to the Poul Schluter [Conservative] government.

In numbers of seats, both S and SF are strengthened in comparison with the Folketing election in January 1984, but at the same time the internal clash in VS over their position on a labor majority brought the party close to splitting up, and the voters put the party below the minimum limit.

If the election were held now a red cabinet would get 46.1 percent of the votes, according to a Gallup poll. That would give S and SF 86 seats, and the Poul Schluter government would have not only the support of RV but also that of the strengthened FKP in order to win a majority in the Folketing.

Since the Rio Bravo economic compromise in the fall of 1983 between the government parties, FKP and RV, FKP has been sent out into the political cold, but in the debate about an advertising-financed TV-2 channel the party has assumed that it will be in a key position for the voting in the Folketing, and that the voters are about to give the party the same position in the political picture after an election. According to the Gallup poll, FKP for the second month in a row is again in the Folketing after several months of being below the minimum limit. Now its strength is greater than at the time of the election in January 1984.

In the government bloc, only the Conservative Party [KFP] has greater voter strength than at the time of the election, and for the second month in a row the KRF is under the minimum limit. The just-completed KRF congress showed that it is not only MP Arne Bjerregaard who is critical of the party's inability to carry out greater social compensations in connection with the government's Easter package. Many delegates asked the direct question whether KRF would not be better off outside the four-party government.

The Radical Liberals [RV] gained for the first time in several months, and according to the Gallup poll they have, after a downturn in connection with the economic interventions, won back their strength from the election.

According to the Gallup poll a Folketing election now would produce seats for 7 of the 15 legitimate parties. Thereby the Folketing would have the smallest number of parties since the election in September of 1971.

Distribution of seats:

Social Democrats	58	56
Radical Liberals	10	10
Conservatives	45	42
Socialist People's Party	28	21
Center Democrats	6	8
Christian People's Party	0	5
Liberal Party	21	22
Left Socialist Party	0	5
Progressive Party	7	6

Party	10.jan. 1984 pct.	dec. 1985 pct.	jan. 1986 pct.	febr. 1986 pct.	marts 1986 pct.	april 1986 pct.
.Social Democrat	31.6	32.5	30.1	29.6	31.7	31.1
.Radical Liberal	5.5	4.2	4.0	4.8	3.4	5.5
.Conservative..	23.4	24.0	26.4	27.0	25.9	24.3
.Single-Tax....	1.5	-	-	-	-	-
.Socialist People's	11.5	15.1	14.6	13.6	15.6	15.0
.The Greens...	.	2.3	-	-	-	-
.Humanist.....	.	-	-	-	-	-
.Intersocialist Labon	0.1	-	-	-	-	-
.Communist.....	0.7	-	-	-	-	-
.Marxist-Leninist	0.0	-	-	-	-	-
.Center Democrat	4.6	2.7	2.6	4.1	3.0	3.5
.Christian People's	2.7	2.1	2.1	2.1	-	-
.Liberal.....	12.1	11.9	13.2	12.3	12.3	11.2
.Left Socialist	2.7	2.6	-	2.1	-	-
.Progressive...	3.6	-	-	-	2.5	3.7
.Others (with less than 2%)	.	2.6	7.0	4.4	5.6	5.7
.Total.....	100.0	100.0	100.0	100.0	100.0	100.0

Caption: Political Index. Polling period 5-28 April 1986.

Question: Which party would you vote for if the Folketing election were tomorrow?

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POLITICAL

DENMARK

NURSES UNION REMAINS IN UPROAR OVER COMMUNIST CANDIDATE

Copenhagen BERLINGSKE TIDENDE in Danish 2 May 86 Sect III p 5

[Article by Thomas Larsen: "Nurses Strongly Divided Over Danish Communist Party Member"]

[Text] The signing of petitions and strong debates mark the campaign for the post of vice chairman on the Danish Nurses Council.

The battle for the position of vice chairman of the Danish Nurses Council is in full swing now in anticipation of the group holding its convention in May: Many nurses are afraid that candidate Inger Rasmussen of the Danish Communist Party [DKP] will inject DKP's politics into the neutral association. Inger Rasmussen's candidacy is seen as a step in the communists' infiltration of the Danish Nurses Council. The nurses at the National Hospital accuse members of DKP of pursuing politics instead of professional work: "More time is spent voting on statements concerning peace and disarmament, nuclear-free zones and other things which have nothing to do with our profession," state Bente Livo and Vita Buhl of the National Hospital in Copenhagen.

The two nurses sat on the county board of directors and "discovered that it was less professional policies than other political issues which were of primary concern."

On the other hand, others assert that DKP cannot compel anyone to violate his or her voting principals or his or her organization's voting laws: "There is talk of serious suspiciousness without any evidence."

At the moment, signature campaigns are under way. And opponents and supporters of Inger Rasmussen are preparing lists for the convention: In the counties in the capital area, 31 elected representatives support the DKP candidate--while 185 members from the National Hospital protest her policies: "The demand for terminating the main contract, opposition to the Common Market, overt or covert support for destructive work-stoppages, activities aimed at overthrowing the government. We do not agree with this type of 'rejuvenation,'" is the statement in the opponents' protest letter. In support of Inger Rasmussen, however, the 30 representatives from the capital area counties find it to be "unreasonable to focus on political party affiliations over and above discussing positions regarding the policies of the profession."

Signature campaigns are taking place in other parts of the country as well. It looks like a difficult convention for the Danish Nurses Council.

JPRS-WER-86-060
20 June 1986

BRIEFS

PROTEST TO EL SALVADOR--A number of members of Parliament from the Social Democratic Party, the Socialist People's Party, the Liberals, the Radical Liberals and the Left Socialist Party have signed a letter to El Salvador's president Jose Napoleon Duarte protesting the attacks against civilians. The letter is being written on the occasion of Salvadorean Women's "Mothers Day" on 10 May. The women will demonstrate on that day against the Duarte government's violations of human rights. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 1 May 86 p 16] 12578

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POLITICAL

DENMARK-GREENLAND

PAPER URGES HOME RULE GOVERNMENT CAUTION IN ASSUMING TASKS

Godthaab GRONLANDSPOSTEN in Danish 9 Apr 86 p 10

[Editorial: "Over-Enthusiastic Development"]

[Text] More and more people gradually are becoming worried about the home rule government's over-enthusiastic tempo in taking over new areas of endeavors. Things seemingly cannot go fast enough. The take over of new areas has become a matter of prestige. Four months now have passed since the remainder of KGH was turned over to home rule and in seven months, it will be the housing area's turn to be taken over. But GTO also already is in the looking glass and there is the desire to take it over as soon as possible.

It has become an absolute sport to take over new areas and it is absolutely not healthy for the country's economy. The Siumut Party's own supporters also have discovered this. In the current issue of AG, two Siumuts--KANUKOKA'S leader Anders Kielsen and AG's most diligent writer of letters to the editor, janitor Samuel Hard--independently of each other have stated that the haste has become too great.

"I believe that we cannot afford to force the trend as much as is now happening. Today, Greenland receives the necessary resources from taxpayers in Denmark and not from productivity," writes Samuel Hard in a letter to the editor written in the Greenland language.

"Greenland's economy functions on the basis of block grants from Denmark. We have just overtaken a big and demanding area and a lot of money has been used for preparing the productivity machinery. But before we can see the results of this, it is not smart to overtake a new and money-demanding area," KANUKOKA's leader Anders Kielsen told AG.

The two Siumuts are not alone in their beliefs in this regard. It gradually has become a fact that the home rule government's overtaking of new areas is being forced in spite of the country's weak economic situation, which is caused by the uncertainty surrounding the development of oil and mineral raw materials along with the declining cod fishing industry.

Samuel Hard recommends improved planning with regard to the country's economy. And why not do that? We live in a time of conferences but we have not yet decided to have a conference for the planning of the country's economy in relation to the home rule government's take over of new areas. A five-year plan absolutely would be in order.

Many are worried that the takeovers are occurring with Danish taxpayers' money as an economic security net. The proper way is through self-financing of the overtaken areas.

12578

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POLITICAL

NORWAY

NEW FOREIGN MINISTER FRYDENLUND GIVES VIEWS ON U.S., EC

Oslo AFTENPOSTEN in Norwegian 10 May 86 p 7

[Article by Bjorn Talen: "Portrait of Knut Frydenlund"]

[Text] "It was very kind of the newly-appointed minister to see a representative of the opposition press at such short notice," we said. "That is one of the duties that go along with the job," smiled Knut Frydenlund, well-aware that we know that he is one of the most open people in Norwegian politics and very friendly in his dealings with the press. A good-natured and congenial personality, one has to admit. It is even possible to suspect him of being a little concerned about being liked by other people. And that may be why he is sometimes accused of not standing on the barricades and fighting for his standpoint in the Labor Party's continuous security policy dispute. Of course he may have another view of the matter himself, but he prefers to save his heavy artillery for another occasion.

For 8 years Knut Frydenlund survived the changes in the Bratteli, Nordli and Harlem Brundtland governments. This cannot simply be put down to adaptability/opportunism/lack of leadership ambitions (take your pick). There must also have been some ability and political talent there too. On this basis and on the basis of Frydenlund's undeniable charm, humor and elegant folksiness, some people think he could have been a very popular prime minister. We asked if that would have been more fun than stepping in as foreign minister again.

"We have a saying in the Labor Party that we take the jobs the party gives us, but that particular job is not one I ever aspired to nor am I suited for it. It is just too hard. One needs a physical and mental strength of the kind exhibited by the new prime minister."

Frydenlund said his feelings on the matter were best expressed before the 1981 election, the time when he had the goats Egon and Garibaldi, who received a lot of humorous attention in the press. When asked about his ambitions with regard to becoming prime minister at an election meeting in Oslo, he replied: "I would rather have two goats in the back yard than an ambition to become prime minister."

A lot has happened in the world since Frydenlund first became foreign minister. Among other things Henry Kissinger's name is no longer in the spotlight in the United States. This has led Frydenlund to become more self-sufficient and to learn to knot his own tie.

"I miss Kissinger and I think it is strange that the present administration could not find any use for him. The conservatives around President Reagan feel that this pragmatic politician is 'soft on communism,' but he is tough enough. I will use the first opportunity that comes up to see him again," Frydenlund said.

What are President Reagan's strongest and weakest sides?

"I have just taken on a job that calls for restraint when it comes to judging the heads of state of other countries. But I must say that President Reagan has a fascinating working style with its famous 'teflon effect.' When it comes to the American administration's long-term policy toward the Soviet Union, however, I miss the balance there used to be in the combination of military strength and the realization of how important it is to arrive at solutions to the underlying political problems through negotiations and a policy of detente.

"But there is a possibility that agreement can be reached with the Soviet Union and in that case President Reagan will be the one capable of gaining approval for it, even from conservative forces in the United States."

Frydenlund also said that Gorbachev should not be underestimated. He is a hard man but he makes a gentle impression and moves more surely across the international stage than his predecessors did. The Soviet Union needs detente in order to solve its precarious economic problems and here the West has a chance that could prove to be vital. "I have no illusions about the intentions of the Soviet Union, but unless the United States follows suit, Gorbachev will have a 'European card' in his hand again," said the foreign minister.

We asked about our own unplayed European card--namely the possibility that Norway will join EC.

"In this particular period, EC membership is not on the agenda."

After that obligatory remark, Frydenlund stressed the interesting phenomenon that the Europeanization of Europe is occurring at the same time as an Americanization of the United States is taking place. "It is natural that Norway is included in this Europeanization process. It is symptomatic that the negative side of the left wing is more concerned with this trend than the old positive side," he said.

When Frydenlund came on TV the last time he was foreign minister, he always appeared wearing a very worried expression and responsibility weighed down the corners of his mouth and eyes. This might have led some people to think

that the minister only thinks about the serious side of life. But in political circles he is known for his warm sense of humor and few foreign ministers have been less pompous. There are many good Frydenlund stories in circulation, but perhaps the best comes from Odvar Nordli, who tells of the time the two of them were scheduled to greet the Vietnamese prime minister.

Nordli consulted the expert on diplomatic custom and was told that he should kiss his guest on the cheeks. The prime minister did not like the idea and said that if he had been misinformed it would be Frydenlund's last official act.

At Fornebu, however, it became clear that the guest was expecting this form of salutation, but unfortunately he only came up to Nordli's waist. Then the foreign minister murmured: "Grab him under the arms and pick him up, Odvar."

When the Labor Party was waiting impatiently for the government to resign last Tuesday, Knut Frydenlund was one of those who issued a warning. Now he has decided that the majority could be right after all:

"My reasoning was that the Conservatives would be able to pick the most favorable moment to topple a Labor government because the three nonsocialist parties were leaving the government arm in arm. Therefore it would be better to wait until the internal conflicts in the coalition had run their course. But the dynamics of the process seem to have made my original assumption obsolete.

"The picture of Willoch as he went to the king with his resignation was one of despondency. A similar mood could not be detected among the middle party representatives in Storting. Apparently it suited them quite well to have a break occur without being blamed for it by their voters. That means it is no longer up to the Conservatives to decide if and when the Labor government should be turned out of office and it could stay in power for a long time. The middle parties will probably make use of their freedom as long as they can and the Conservatives will have to pay a much higher price next time for their cooperation," Frydenlund said.

What are the best and worst things the nonsocialist government has done?

"Astrid Gjertsen managed to create the impression that she welcomed openness and debureaucratization. We could talk until we were blue in the face about the fact that openness means more than store opening hours, but the Conservatives scored a point here. On the minus side were the market speculation economy and the creation of greater inequality. That was a plus for us in the election campaign. The Willoch government has also pursued a foreign policy that has divided Storting on important points and that, significantly enough, received its most solid support from the Progressive Party. It will be an important task for us to ensure a broader agreement on foreign policy."

6578

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POLITICAL

NORWAY

PARTIES' LEADERS PRAISE, ATTACK NATO 'FOOTNOTE' DECISION

Willoch Claims 'Poorly Handled'

Oslo AFTENPOSTEN in Norwegian 23 May 86 p 8

[Article by Thorleif Andreassen]

[Text] Kåre Willoch is far from happy about Defense Minister Johan Jørgen Holst's conduct in connection with the final communique from the NATO meeting of defense ministers. "As far as I can see, this Norwegian footnote, i.e., the Norwegian statement on disagreement within NATO, was superfluous. It indicates poor diplomatic handling on the part of the new defense minister. Such things have, of course, never before happened from the Norwegian side," the chairman of the Foreign Policy Committee of the Storting tells AFTENPOSTEN.

Kåre Willoch says that the United States has long ago stated that it agrees that the current accords on limitation of anti-nuclear missile defense weapons--the so-called ABM agreement-- will have to be observed, and that there will be no question of testing and deployment of any new weapons of this kind without prior negotiations with the Soviet Union.

Unwise

"In this situation, it was unwise to create controversy externally on the very communique. The split which has now been stressed after the meeting of defense ministers, will cause satisfaction in the Soviet Union, which will view it as supporting endeavors to make greater counterdemands against NATO's disarmament proposals. It is quite incredible that the new defense minister can believe that such Norwegian emphasis of a split within NATO will not weaken the unity within the NATO alliance," the chairman of the Defense Committee points out, adding:

"Unfortunately, that is exactly what it does. And that is why it is also in conflict with our own interests."

Christian People's Party: Reaching NATO

The parliamentary leader of the Christian People's Party, Harald Synnes, pointed out to AFTENPOSTEN before the final communique became available yesterday: "It is important for our viewpoints to reach NATO. There is a clearly critical position within the Storting on the consequences of space arms research and new chemical weapons. This position will have to be known both in the East and the West."

Harald Synnes stresses the importance of expressing this position in an effective manner. "As far as the footnote controversy is concerned, it is necessary for viewpoints on which there is broad agreement within the Storting not to vanish in closed forums. For, in that case, they will not have any possibility of having an effect on public opinion. At the same time, it is important that our constructive membership of the NATO alliance be stressed," Synnes says.

Socialist Left Party Gratified

The leader of the Socialist Left Party, Theo Koritzinsky, does not conceal the fact that the Socialist Left Party is gratified that Norway, in a written statement, has marked its opposition to the space arms program of the United States.

"This standpoint is supported by the clear majority of the Storting. This statement of opposition will have to be followed up in the NATO meeting of foreign ministers to be held next week."

Chemical Weapons

Koritzinsky says that his party demands that Norway, at the said meeting, state its opposition to the new chemical weapons armament plans of the United States. "The opposition within the U.S. Congress to these plans has asked for West European protests within NATO. Norway will have to provide that support," the leader of the Socialist Left Party says.

Center Democrats: Cause for Reflection

The parliamentary leader of the Center Democrats, Johan Buttedahl, tells AFTENPOSTEN that this is a development which gives occasion for reflection in many respects.

"First, Norway has now advanced clear criticism within bodies of NATO on central issues, this time on space arms. Second, several countries join together in this criticism. That proves that European skepticism toward the United States is increasing and may be interpreted as a growing "movement" of the joint European position.

Buttedahl says that this latter phenomenon will necessarily lead to internal discussions within NATO because the said movement may in time increase in extent.

"An indication of the Norwegian viewpoint will thus not automatically receive the stamp of a footnote--and thus not, all of a sudden, that negative connotation. But the term footnote country is in the Norwegian meaning a negative expression in the NATO context," Johan Buttedahl concludes by saying.

Progressive Party Dismayed

Bjørn Erling Ytterhorn, member of the Storting of the Progressive Party, says that he is dismayed at the fact that the Norwegian government in writing has made reservations against the NATO communique.

"I will therefore next Friday present a proposal, requesting the Storting to express its regret of the defense minister's footnote in the communique," Ytterhorn says.

Progressives Push No-Confidence Motion

Oslo AFTENPOSTEN in Norwegian 24 May 86 p 9

[Article by Thorleif Andreassen]

[Text] The Progressive Party has presented the Storting with a motion of no confidence against Defense Minister Johan Jørgen Holst. The background is the Norwegian footnote in the communique from the NATO meeting of defense ministers. The chairman of the Foreign Policy Committee, Kåre Willoch, tells AFTENPOSTEN that he intends to discuss the question of the no-confidence motion thoroughly with the former government parties before taking a final position on the matter. It is widely held that Holst will have to account for the events at the NATO meeting.

It was Bjørn Erling Ytterhorn, M.P., who, on behalf of the Progressive Party, yesterday submitted the no-confidence motion to the presidents of the Storting. There is much to indicate that the matter will initially be discussed in the Foreign Policy Committee of the Storting.

Change of Course

In a conversation with AFTENPOSTEN, Ytterhorn points out that the events at the meeting of defense ministers are a confirmation of the fact that the new government represents a change of course in security policy matters. "It will carry on the incessant attacks on the United States of the Left," says Bjørn Erling Ytterhorn.

Infighting

Kåre Willoch expects the matter to be submitted to the Foreign Policy Committee, which will then be given the opportunity to review the circumstances of what he describes as a startling step on the part of the government.

"Making Norway a 'footnote' country within NATO and starting Førde's infighting within the alliance, gives rise to serious concerns," the chairman of the

Foreign Policy Committee says, adding that he will discuss the matter thoroughly with the former government parties before making any definitive statements on the issue.

Christian People's Party--No

The parliamentary leader of the Christian People's Party, Harald Synnes, makes it clear that it will not be topical for his party to vote for the no-confidence motion. "That does not mean that we simply accept what happened. We ask whether the Norwegian handling of the space arms program could have taken place in a different manner. If we advance massive criticism, we shall also have to indicate alternative ways of procedure," says Synnes, who finds reason to deplore the fact that the efforts which were made on the part of Norway to arrange a joint communique did not reach NATO."

Center Party Waiting

The parliamentary leader of the Center Party, Johan Buttedahl, does not want to take a position on this issue now. He expects the minister of defense to inform the Storting of what happened.

Gro Harlem Brundtland Replies

Oslo AFTENPOSTEN in Norwegian 27 May 86 p 2

[Op Ed Article by Prime Minister Gro Harlem Brundtland]

[Text] In its editorial "Infighting within NATO," the paper gives an incorrect account of the actual situation. The government has solid support in the Storting for the position which was presented at the NATO meeting in Brussels.

Concern

The point of departure of AFTENPOSTEN is that, through its footnote, Norway "has dissociated itself from the statement on the U.S. Strategic Defense Initiative (SDI) previously approved by the majority of the Storting." On this point, AFTENPOSTEN is mistaken. There has been no such approval.

On the contrary, there has been concern for quite some time within the Storting at the handling on the part of the former government of the issues in connection with the American space arms program.

This has, in particular, been the case, as far as the discussions within the meetings of defense ministers are concerned, which got onto the entirely wrong track from the very start. The problems are illustrated best of all in the alarm caused in March of 1985 when Defense Minister Sjaastad participated in the preparation of statements clearly supporting SDI and had to explain himself to the Storting immediately after his return from Luxembourg.

Broad Support

The "approval" referred to by AFTENPOSTEN, moreover, clearly contrasts with the support given the government in the consultations with the various bodies of the Storting last week prior to Defense Minister Holst's departure for Brussels.

There was broad support for the position of the Norwegian government that our reservations with regard to the space arms program would have to be more clearly expressed, and that the existing wording on this point was not acceptable to Norway.

It is therefore established that there is no basis either for the claim made by AFTENPOSTEN that the things which happened were "entirely superfluous."

However, I agree entirely that a Norwegian reservation ought to be superfluous.

No Cooperation

That, unfortunately, did not become the case because no willingness at all was shown for cooperation on constructive solutions.

The desire from the Norwegian side to adopt NATO formulations used in the communiques of the foreign ministers was flatly refused.

In our government declaration, we emphasized that the Norwegian security policy will be based on the joint report on security and disarmament, rep.ser.no. 225, 1983/84. We received broad support in this respect in the debate on the declaration by the government.

The Labor Party has now seen to it that the policy pursued by the Norwegian government within NATO will conform with the positions of the majority within the Storting, as they, moreover, were expressed in the discussions on the report on the space arms issue last year.

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POLITICAL

NORWAY

CONSERVATIVE PAPER, GRO HARLEM BRUNDTLAND ON NEW CABINET

Foreign Policy Change Foreseen

Oslo AFTENPOSTEN in Norwegian 10 May 86 p 2

[Editorial: "New Government, New Demands"]

[Text] We cannot and will not welcome Gro Harlem Brundtland's new government. But let there be no doubt that it will have a chance to demonstrate its intentions--and its capabilities. The parliamentary situation limits the Labor Party's freedom of action in the government position. But the majority opposition is divided into four parties, all with their own need to define themselves, which gives the government's many talented political craftsmen considerable leeway.

The list of cabinet ministers contains several new and unfamiliar names. But most of Mrs Harlem Brundtland's cabinet members have a lot of parliamentary experience behind them. It is not a new experience for some of them to sit in a government that is not based on a Storting majority. However the shrinking oil revenues make new demands on restraint and political consistency compared with the last time the Labor Party stood at the helm. A man like Gunnar Berge will quickly discover that being the finance minister is not the same as being the factional speaker on fiscal policy in Storting.

The new social affairs minister, Tove Strand Gerhardsen, is one of the relatively few ministers coming in "from the outside." We wonder if she will bring in new ideas when she tries to clean up the scandal the opposition Labor Party has been calling Norway's health and social policies for the last 5 years. Many people will also be paying close attention to Cultural Affairs Minister Hallvard Bakke's shaping of media policy.

Yesterday Norway acquired a government that is well-equipped when it comes to political experience. With few exceptions the cabinet ministers are familiar with the political labyrinth from the inside. But the political course set by the prime minister and the party apparatus is more important than individual personalities. Unless the government deliberately seeks confrontations, it has every chance of remaining in office for a long time to come. So far all signs indicate that the head of the government intends to stay in power.

So far she has not moved beyond the slogan stage. Consequently it is impossible to have any idea what the power shift will mean in terms of practical policy. It remains to be seen what the talk about a new flexibility in district policy, letting the biggest burdens fall to those with the most advantages and a fairer distribution policy will mean in practice.

When it comes to foreign and security policy, however, we note with dismay that the new prime minister believes that "the problem in recent years has been that there was no real majority in this country behind the views endorsed by the government." That is a warning of a future change in our foreign policy course that we ought to be spared. We are afraid that in this way she will confirm that our fears have been justified.

Prime Minister Discusses Views

Oslo AFTENPOSTEN in Norwegian 10 May 86 p 2

[Op Ed Article by Prime Minister Gro Harlem Brundtland: "Willing to Co-operate"]

[Text] In a situation where the country faces the biggest challenges in a long time, the Labor Party has again been asked to form a government. We are going to work with the realization that there is a nonsocialist majority in Storting. This means that we must depend on support from other parties. We intend to stress other values. Our government will pursue a different policy than the one espoused by the nonsocialist government and we want to find unifying solutions.

We are facing a big task, especially in the area of economic policy. Broad reforms are needed in the tax system and the future of social security must be guaranteed in a way that also takes the course of women's lives into account. We intend to stop the development of a divided health system. New flexibility is needed in district policy to change the pattern of demographic movement and ensure regional growth.

Unifying

These are long-range tasks where it would be an advantage to find solutions that can unite a broad political majority. The Labor Party has declared its willingness to contribute to unifying solutions all along. Therefore we will now ask others to work with us on these things.

After the government touched off an election year growth last year with an increase in private consumption that was three times larger than the level the government itself regarded as reasonable, sweeping changes are needed in economic policy. As the nonsocialist government itself warned, the large growth in private consumption last year took place on the basis of borrowed money. These loans must be paid back now. The decline in oil revenues has intensified the problem.

Tackling Imbalance

We think people are prepared to tackle the imbalance that has been allowed to develop in the Norwegian economy as long as the burdens are distributed fairly. We must all give our fair share. But those who have received the biggest advantages in recent years must now take on the biggest burdens.

Although it was distribution policy that led the nonsocialist government to throw in its hand, we think it is possible to gather a Storting majority behind a new and fairer distribution policy.

Nonsocialists

Last year's election produced a new parliamentary situation. The three government parties lost their majority but the two Progressive Party representatives ensured a continued nonsocialist majority. On that basis the three-party coalition decided to continue without arriving at any clarification of its parliamentary base.

When the government decided to step down it was necessary to use correct constitutional forms to clarify the parliamentary situation and the basis for a new government. In the clarification that took place on Friday it became clear that the nonsocialist parties were unable to form a new government. Therefore the job had to be turned over to the Labor Party as the biggest opposition party.

New Work Form

The reason why the nonsocialist parties did not carry out the necessary clarification of the government's base last fall is obvious. The middle parties made strong statements and opposed any approach to the Progressive Party, while the Conservatives wanted to use Hagen & Company to shift political solutions to the right.

The result was an entirely new type of work form in Storting. Instead of seeking majority solutions through committee work, recommendations were made without the government being sure that it could find a majority to support the measures it approved of. Then there were crisis solutions with negotiations among parliamentary leaders.

Threats and Coercion

Instead of trying to find political solutions that could unite a real majority the government relied on threats and coercion. That is a style that inevitably leads to a crisis for a government without a majority. Either one must show a willingness to find solutions with the parties that represent the government's parliamentary base or one must seek solutions with the opposition.

In both cases one must pursue a policy backed by a real majority. Joint responsibility also requires joint influence.

Security Policy

We would like to base security policy on this kind of working style too. The viewpoints Norway presents in international forums must have a real Storting majority behind them.

We intend to base our foreign and security policy on Storting Report No 225 on security and arms control. This report provides a clear guideline for all future applications.

There is no foundation for AFTENPOSTEN's fantastic description of dramatic changes in foreign and security policy. The problem in recent years has been that there was no real majority in this country behind the views the government presented to the outside world. This created problems in Storting time after time and the government has had to rely on threats and coercion in this area too in order to avoid losing a Storting vote.

Devaluation Destroys Credibility

Oslo AFTENPOSTEN in Norwegian 12 May 86 p 2

[Editorial: "Not Credible"]

[Text] We fully understand the decision to devalue the Norwegian krone. Time after time we have stressed the need to use all the means available to us to guarantee competitiveness. But yesterday's dramatic action placed the Labor Party's irresponsibility as opposition party in sharp relief. The prime minister's party has expressed nothing but scorn for the repeated emphasis by Kare Willoch and his nonsocialist government on the fact that it is essential to live according to our means.

The devaluation is a glaring revelation of the policy the Labor Party represented just a few days ago. No one can doubt that the devaluation of the krone will strengthen competitiveness in the short term, but it must be seen against the background of the fact that until yesterday the policy of the Labor Party was headed in the opposite direction. We are now waiting with bated breath for the cuts that have been announced in connection with the revised national budget. But we are afraid that for the most part we will have tax increases and steps against what is called a speculative economy that will have the opposite effect. The kind of tax increases the government has announced will be meaningless in the present situation. The increases will throttle initiative and investment and thus weaken the growth capacity that is decisive in bringing Norway out of its economic crisis.

The prime minister may very well justify the devaluation and the new austerity measures by saying that the situation turned out to be more serious than she had anticipated. But the rest of us know that it is better than it would have been if the Labor Party had set our economic course after last fall's election. As late as 2 weeks ago the Labor Party caused a government crisis by blocking the Willoch government's first modest proposal for economic

austerity. And during the last budget debate in Storting the party did what it could to further weaken our competitiveness.

The psychological effects of the government change could be observed even before the new cabinet ministers assumed control over their ministries. The pressure on the Norwegian krone has been having an effect for a long time. Expectations of a devaluation were strengthened by this year's wage settlements which even in the initial phase exceeded the limits that could have prevented devaluation--although this fact did not bother the opposition at all.

Central Bank chief Hermod Skanland is certainly correct in assuming that we can count on international understanding. In the kind of situation we now have a devaluation is almost the only natural way to ensure competitiveness. But it should be pointed out that the outgoing government found it impossible to get the opposition Labor Party to go along with the necessary austerity measures. The Labor Party consistently backed new spending increases, while flatly rejecting all measures aimed at stimulating the economy. Before the Labor Party came to power with the help of Carl I. Hagen, it had pursued a policy that can only be described as irresponsible to the highest degree.

In other words the Labor Party has a shady immediate past that gives us no reason to believe that it will be capable in the government position of pursuing the combined austerity and stimulation policy that is necessary if an essential devaluation is to serve the country's best interests in the long run. A complete turnaround in this area is just not credible.

Conservative Chairman on Devaluation

Oslo AFTENPOSTEN in Norwegian 13 May 86 p 2

[Text] "If the Willoch government's austerity package had been approved, a devaluation of the krone would not have been necessary. But Storting demonstrated to the entire world that Norway would not tighten its belt sufficiently--and preferred a Labor Party government instead," said Conservative chairman Rolf Presthus in Trondheim on Monday.

"Since previous Labor governments have used big adjustments of the krone as economic tools, foreigners began speculating that the new government would resort to a big devaluation this time too," said Storting representative Rolf Presthus in a meeting with the press. He added: "The Labor Party's own actions made the devaluation necessary."

The former finance minister said that a 12-percent devaluation of the Norwegian krone is too much. He also said that if the devaluation is not followed by other austerity measures, we will not have the intended positive impact--and the result will be higher prices and higher wage demands.

"Devaluing the krone by 12 percent is like performing an operation by cutting open the patient's chest and then failing to do any further work on him," the Conservative chairman continued. "If the operation is to be successful

the devaluation must be followed quickly by stringent austerity measures such as reductions in public spending and restraints on private consumption. The government has not made plans for measures like this nor have they been cleared with Storting," said Rolf Presthus.

"In other words," the Conservative chairman said, "unless other steps are taken immediately to strengthen the Norwegian economy, the devaluation in itself will not have any effect."

Industrial Problems Ahead

Oslo AFTENPOSTEN in Norwegian 10 May 86 p 5.

[Commentary by Kjell Aaserud: "Old Industrial Sins Coming Back to Haunt Labor Government"]

[Text] When the Conservative government took office it had to deal with one problem after another. Several, but not all, were already well-known. One was Tofte Cellulose, which was christened if not conceived by a Labor government. Without state support it would never have been born. The bill was delivered to the desk of Industrial Affairs Minister Jens-Hallvard Bratz. The state had to hand over almost a billion kroner.

Bratz and his successors, Jan P. Syse and Petter Thomassen, had to cope with a great many industrial problems. One could almost say that some cases will never end. Names like Sydvaranger and Norsk Jernverk have come up--and have received funds--year after year, but their problems appear to be endless. They had to be dealt with by Labor governments, then by Conservative and coalition governments--and now they are back in the hands of a Labor government again. It will do little good to fan the discussion of Sydvaranger back to life. It is harder to pour millions out of the state treasury today than it was in the days of counter-cyclical policy. For this reason it is possible that the discussion of the affairs of the Kirkenes firm will die down.

Fight over Spiger Plant?

But this is unlikely in the case of the state-operated Norsk Jernverk. The big question is whether a Labor government will be able to withstand the pressure it will undoubtedly be exposed to from the Spiger plant, which is now part of Jernverk. The Spiger plant has been self-supporting all along. Despite its problems the firm and its employees have pulled themselves together time after time and managed to straighten things out. It might be correct from a strategic point of view to close down the Spiger plant due to the overproduction of steel reinforcement rods, but it will not be easy. This is understandable in view of the fact that the Spiger plant is the best unit in the Jernverk concern, it is located near the market and has access to a vital component--scrap iron.

Old Sins

Horten Shipyard first became an "issue" under the present government. But the sins were committed earlier. For several years Horten remained quite active in shipbuilding, an activity in which the firm itself had a proprietary involvement. The ships did poorly and the bills had to be paid. The first step was the arrangement of a voluntary accord under which small creditors were indemnified. The state came up with 150 million kroner in new funds, 40 million in the form of equity capital and 110 million for debt repayment. Now the firm is insolvent again, but at this time the management has just decided to recommend that the firm continue its shaky operations and finish the jobs it is working on now. With the experience we have had already, there is a risk that this will be very expensive. After the accord was reached, big costly calculating errors have shown up.

Endless Circle

For many years Labor governments have had big problems with the shipbuilding industry. Now the ball is back in the new Labor government's court. A number of shipyards seem to stagger along from one crisis to the next, led at the moment by Trosvik and Horten, which are dragging others along with them. Horten Shipyard owns 62 percent of the Wichman Engine Factory in Bomlo, which is in a precarious position. A search is on for new owners with a better strategy and fresh capital. Finland's Wartsila and the Ulstein group are in the picture. Ulstein is probably interested primarily in order to ease the pressure it is getting from BMV. If Wartsila takes over, it will increase the pressure on Ulstein. Both Ulstein and Wartsila are demanding the cancellation of a debt Wichman owes to the Industrial Fund, a loan the fund was ordered to make by an earlier Labor government. The circle is endless.

Working conditions in the mines are becoming increasingly difficult. One of these mines is Sulitjelma, which will probably be empty within a few years. However the new industrial affairs minister will immediately have another state firm on his hands, Finotro in Finnmark. Funds are low and the firm's management wants an influx of new capital. Over a 2-year period deficits have drained off 20 million kroner.

Industrial Sector Strengthened

The outgoing government can pride itself on the fact that its industrial policy has been successful. There has been industrial growth for 3 years (with a good boost from the economy), increased investment and the establishment of many new firms, especially in the area of high technology. Companies have had higher earnings and equity capital has been increased. This has increased optimism.

But the outgoing government may have made its biggest impression by checking the infusion of capital into unstable enterprises that can't seem to get out of the economic quagmire regardless of help (as in the case of Horten Shipyard, among others).

There has been criticism of the fact that not enough money has been invested in research. One of the reasons for that is the lack of researchers. In a cooler economic climate of the kind we seem headed for now, more researchers will be available. The new government faces a challenge here.

The new leadership of the Industrial Affairs Ministry will have no shortage of work. Some of the important jobs to be tackled are the reorganization of advisory services, the State Technological Institute and the Inko service, institutions of very great importance for small and medium-size firms. The government must also sharpen its pencil and write a report on Norway's space policy.

6578

CSO: 3639/112

POLITICAL

SPAIN

PCE EXCLUDED FROM STRATEGIC DEFENSE PLAN

Madrid YA in Spanish 15 Apr 86 p 13

[Article by Fernando Rueda: "Communists Blame NATO for Not Being Shown PEC"]

[Text] Madrid--The PCE [Spanish Communist Party] feels that the Government's posture excluding it from the list of political parties to which the PEC [Joint Strategic (Defense) Plan] is being shown is owing principally to pressures by the Atlantic Alliance. Jose Luis Buhigas, the party's official on defense issues, stated to YA yesterday that this attitude represents a global strategy on the part of NATO that discriminates against communist parties.

The PCE's annoyance is augmented by its exclusion from a list that does include Augustin Rodriguez Sahagun, spokesman for the CDS [Democratic and Social Center], which is also one of the Mixed Group, and which has only two deputies--half the number of communist deputies. "This is why it is baseless to argue that the CDS represents the Mixed Group," added Buhigas. "In our view, this attitude on the part of the Government has a significant symbolic value."

Gerardo Iglesias' party points out that previous defense ministers informed it of basic matters pertaining to Spain's defense, as they did with respect to all the parties in the parliamentary spectrum--entirely the contrary of the attitude that has been adopted by Serra.

Reiterating the unacceptability of this kind of action, the PCE asserts its view that this is a punishment by the Socialist Party in retaliation for the PCE open opposition to Spain's membership in the Atlantic Alliance.

Referring to the veiled charge--which could be behind his exclusion from the list of spokesmen who receive information on the PEC--that the PCE might leak the Spanish Defense Plan to our potential enemies, Jose Luis Buhigas is categorical: "Our party has no links of dependency on foreign entities, and it goes without saying that we are not going to pass such information to anyone, because we are a constitutionalist party."

The PCE's opinion as to the content of the Joint Strategic Plan, despite its lack of knowledge of the content, is that it includes some very important

clauses which Serra is not disclosing to the spokesmen. "We are not in agreement," adds Buhigues, "on aspects such as that of assigning operational defense of the territory to the Civil Guard in time of war."

To decide on his stance in view of the Executive posture, Enrique Curiel met yesterday with his party's spokesman, Fernando Perez Royo, to obtain all information relative to the case and take the appropriate steps. The official posture on this issue is that the PEC is being explained to the spokesmen of the Parliamentary Groups and that thus it is the turn of Rodriguez Sahagun to be received by Serra, as the spokesman during the current month.

Narcis Serra will conclude his briefings on the PEC today. Last Tuesday he received Catalanian Minority's Miguel Roca and Centrist Group's Luis Ortiz, and today he will receive Basque Minority's Marcos Vizcaya and Mixed Group's Agustin Rodriguez Sahagun.

Initially, the Government had decided to brief only the opposition leader, Manuel Fraga, on the plan on which Spain's defense is based, arguing that its secret nature precluded the briefing of all Groups.

The leader of the reformist movement, Miguel Roca, after being briefed on the PEC, affirmed last Tuesday that "I am very satisfied with the information received from the defense minister," and indicated that, after knowing its content, "I understand that it must be kept secret." Luis Ortiz used similar terms: "There are confidential elements that are industrial secrets more so than military, and yes, there are in fact some deployments of forces that must not be divulged."

9399

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POLITICAL

SPAIN

PSOE JUSTIFICATIONS FOR EARLY ELECTIONS GIVEN

Barcelona LA VANGUARDIA in Spanish 22 Apr 86 p 19

[Article by Mariano Guindal and Pedro Conde Zabala; first paragraph is LA VANGUARDIA introduction]

[Text] The members of the PSOE's Federal Executive Committee were split on the issue of whether to complete the legislative term or to advance the date of the general elections. Finally, considering the findings of the voter polls conducted by the Government and, undoubtedly, to avoid complications in the budgetary forecasts for the coming fiscal year, the latter view prevailed.

Madrid (Lid-"La Vanguardia")--During the successive meetings of the PSOE's Executive Committee, in which the question of whether or not to advance the date of the elections was debated, those who advocated doing so argued, first of all, the need to concentrate the pending elections so as to avoid a long electoral process that would lead unavoidably to a paralysis of the Administration for more than a year.

The second important reason for holding early elections, put forward by the economic complement, stressed the need to debate and enact the national general budgets within the time periods required by the Constitution. In this regard, Jose Borrell, secretary of state for finance and one of the top budgetary officials, argued that our budgets are increasingly tied to those of the EEC.

A delay of 3 or 4 months would create major budgetary problems, especially since the drawing up of the Autonomous Community budgets is directly related to that of the national budgets.

Favorable Outlook

The third reason was purely political. The authority to set the election date rests exclusively with the prime minister, to whom the Constitution grants that privilege, while the opposition is empowered to introduce a motion of censure.

The PSOE Executive Committee analyzed meticulously all the opinion polls conducted to date, and in all of them the Socialist Party continues to hold an absolute majority. The loss owing to the referendum on NATO turned out to be

small and has had little or no electoral repercussions. At the same time, by synchronizing with the elections in Andalusia, the main Socialist stronghold, positions are strengthened. From an economic standpoint, converging the elections results much cheaper for the party.

During the meetings, the deputy prime minister, Alfonso Guerra, also pointed out that separating the election dates could further weaken the precarious situation of the Right, and in particular that of Popular Coalition, which has been wracked by internal conflicts.

Also to be considered is that the referendum on NATO left no doubt that the only sector in which the Socialists can lose votes is within their left wing; thus, advancing the date of the elections would make it extremely difficult for a progressive platform to be created and presented in terms of a fully debated and sufficiently clear-cut program. This was also the finding of the analysis made by major sectors of the CCOO and of the PCE, which has been urging the Civic Platform to speed up its unification.

'Internal Management'

The reasons propounded by those who favored letting the legislature complete its term were fundamentally political. The most important one was that expounded by the PSOE's official in charge of organization, Guillermo Galeote, who, during the Executive Committee meetings, adduced problems of "internal management."

Manuel Chaves (an executive of the PSOE and UGT) was the official in charge of drafting the election platform, with a maximum deadline of 30 April for delivery of the final draft. Although a first draft already existed as of the middle of this month, it was still very incomplete.

At the final meeting of the Executive Committee yesterday the 14th, Galeote argued that there were still some loose ends to be tied down before the platform could be completed free of possible problem areas. The argument was also made that the available time would be short from the standpoint of compiling the electoral lists, which is always a very delicate operation.

The second major argument for not advancing the election date was the social foment produced by the referendum on NATO, which left wounds among the social segments that traditionally have supported the PSOE--wounds that must be healed taking advantage of the World Soccer Meet and summer vacations. This argument was countered by the findings of the opinion polls and by the argument that the Andalusian parliamentary elections would produce very similar results.

IRPF

Another reason put forth for delaying the elections was the individual income tax [IRPF] issue. It was argued that with the lowering of the tax table for

the sectors with less purchasing power, the effect of having to file a tax return would be lessened and could even result positive for the Socialist positions.

And lastly, some lesser arguments were advanced, such as the effects of the economic recovery that is resulting from the drop in oil prices and the dollar exchange rate. Those who favored early elections argued that the psychological effects of the recovery have already been discounted with the containment of inflation in February and March, and the announcement by Solchaga that the gross domestic product growth rate will have to be revised upward from 2.5 percent to 3 percent, enabling the creation of 150,000 new jobs.

The urge to complete the legislative term for the first time since the transition, and the coinciding of the electoral campaign with the World Soccer Cup meet were minor factors in the debate.

9399

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MILITARY

EUROPEAN AFFAIRS

COSTS, SELF-INTEREST STILL PLAGUE FRANCO-GERMAN HELICOPTER

Defense Ministers Meet

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 14 May 86 p 2

[Article by fy: "Will the German-French Helicopter Project Fail?"]

[Text] The joint development and production of a German-French attack helicopter, which was firmly agreed upon by both governments in 1985, have become doubtful in view of persistent differences. This was the outcome of a visit paid to Minister Woerner by new French Defense Minister Giraud on the latter's accession to this office. Giraud proved to be worried about the state of German-French arms cooperation. Giraud tied this in not only with the fact that France is not participating in the joint development of a fighter plane for the 1990's but also with the hitherto not very successful efforts to develop a joint AT helicopter.

Giraud commented critically on the fact that industry so far did not exploit the possibility of cutting costs and of rationalization because it is obviously imagining that both governments are forced to meet its demands. Giraud proposed that the armament directors of both ministries, Chevallier and Schnell, should as soon as possible take this project up once again. If it is impossible to agree on a joint helicopter, it would be better if each side went its separate way and if each side built its own equipment. If one cannot quickly clarify the situation in terms of what is really wanted, then both countries are in danger of spending very much money for a project which neither of them really needs or to invest money for something which in the end cannot be accomplished. Industry should be forced once again to clarify those points on which hitherto deviating concepts have been pursued and in this process it should also touch on cost problems.

Defense Minister Woerner mentioned the tight time frame resulting from the repeated delays. Initially, the intention had been to supply the army with an AT helicopter provided with a night-fighting capability already in 1986 but then the project was postponed to the year 1992 and in the meantime the earliest date mentioned turned out to be 1995. Giraud pleaded for proceeding, in future arms cooperation, in a more pragmatic and unconventional manner than had been the case until now. He noted that he might imagine that France might fall back upon components of the Leopard-II in its tank development work if there was a desire later on to work on a joint German-French battle tank.

Efforts aimed at the joint German-French development of an AT helicopter were stepped up after the change of administration in Bonn in 1983 in order to demonstrate the determination to promote German-French cooperation in the matter of armament and security policy. But difficulties cropped up from the very beginning. While the Germans wanted to develop a helicopter that would be specialized purely in providing defense against tanks, France--for the sake of exports--was interested in developing a more mobile TD and attack helicopter. Another disputed point had to do with the question as to whether one should fall back on an American, already developed and tested night-vision set or, as France had demanded, whether one should ask German and French companies to develop a new piece of equipment so that there would be no restrictions on exports.

The compromise means that both sides want to develop only the helicopter together but that they then want to provide it with different armament. Three versions are planned at this time. A TD and attack helicopter for the French army--and for export; an AT helicopter with second-generation weapons (wire-guided or laser-guided AT rockets); and an AT helicopter with third-generation rockets--which are guided to the target automatically--for the French army.

On the German side, the costs had been set at development expenses of just about DM1 billion and DM3.6 billion for procurement on the basis of a March 1983 industry offer. After a two-time increase, the development costs in the meantime have risen to 1.2 billion and the procurement costs are now DM4 billion; on the basis of data supplied by industry, the Defense Ministry is figuring on an additional cost rise by about 40 percent.

Moreover, there have been repeated delays during development. When the agreements were signed in 1984, it was expected that industry would immediately start with the development of the helicopter in all areas on the basis of a fixed-price contract. But industry was not ready to do that so that the defense ministries were forced to demand that industry supply precise performance and cost data; this leads to considerable delays. Other problems arose during the development of a European night-sight set. In-house it is assumed that the helicopter will have to be equipped with the American set if one does not wish to accept any further delays.

Decision Unlikely Before Fall

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 15 May 86 p 1

[Article by fy: "German-French Helicopter Committee Meets"]

[Text] The decision as to whether the joint German-French attack and AT helicopter project is to be further pursued or whether it is to be abandoned is reported to be due before the summer vacation. That was announced by the Defense Ministry on Wednesday. A corresponding resolution might emerge from the meeting between defense ministers Woerner and Giraud scheduled for June. The German-French steering committee for the helicopter project is to meet in Marignane this Thursday. It consists of the armament directors of both defense ministries, the project and system officers, as well as the pertinent desk officers from the armament divisions. This meeting is a routine session

which, to be sure, will have special character because of the conference which in the meantime took place between Giraud and Woerner in Bonn on Monday and in whose course it became clear that the project is in doubt because of cost increases that are difficult to calculate, because of time delays, and due to the absence of any agreement as to the basic concept. The agenda includes the decision as to whether the steering committee--which is competent for all major problems involved in the overall project--will consider a renewed cost increase or a reduction in the performance requirements to be correct.

5058

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MILITARY

AUSTRIA

RESOLUTION OF EQUIPMENT, MANPOWER PROBLEMS REVIEWED

Bonn TRUPPENPRAXIS in German Jan/Feb 86 pp 33-35

[Article by Walter A. Hamburger: "Latest News from Austria's Defense Establishment"]

[Text] On 24 May 1983, Dr Friedhelm Frischenschlager was sworn in as Austrian defense minister and now, at the halfway point of the legislative period, it is probably worth looking into his achievements and goals in some detail.

Aged 41 and thus the youngest member of cabinet when he assumed office, Frischenschlager noted three weak points in the Austrian defense picture. With enough good will, i.e. with sufficient funds, he thought that these problems could be solved but found that there were three somewhat more contentious issues which would prove more difficult.

The three problems capable of solution concerned interceptors, tanks and the artillery; the three "hot irons" concerned missiles, civilian service and military service for women.

Since the most serious gap in Austria's defense posture is the lack of an air shield, Frischenschlager was intent on doing something about this weakness right away in 1984 and obtained formal government approval for the acquisition of 24 interceptors.

The Austrian armed forces received offers and were negotiating with various foreign suppliers and four foreign governments concerning the purchase of the fighter aircraft. They have now decided on the purchase of 24 Swedish Saab J 35 Oe Drakens. This puts them into a particularly favorable position, since there are plans to switch in the mid-nineties to the Saab JAS 39 which is presently under development. The reason why the Drakens were purchased in the final analysis not only depended on the fact that of the final two aircraft being considered they fitted Austrian concepts best (one other aircraft had been dropped previously for budgetary reasons and still another because it did not attain Mach-2 speeds) but also on the fact that Saab was most willing to comply with Austria's wishes for compensatory arrangements.

The Austrian government, at any rate, requested that the purchase price of the aircraft should accrue to Austria in its entirety in the form of compensatory orders and that Austria be allowed to act as a subcontractor to the foreign firm in the form of equipment built in Austria. In plain English, this means that Austria wishes to produce specific parts for the aircraft of the next generation. This will be easiest to do, if the Swedish planes are purchased. The Swedes have also agreed that both the training and live firing will take place in Lappland, thus holding down noise levels in Austria to a minimum.

In the area of armor, five main efforts are being undertaken:

1. Adapting the American M-60 A1 tanks which have been in use in Austria for some time to the M-60 A3's which were purchased for the 4th armored infantry brigade by means of modification kits.

2. Equipping all armored vehicles with the FM-Mech-System 80, adapted to Austrian needs--a process which has been going on since 1983. This communications system which is used by mechanized units is based on the VRM 5080 radio set and the BCC 400A intercom built by the British firm of RACAL and produced in new Austrian Kapsch AG plant at Fuerstenfeld. To facilitate communication with the desired receiver, the set has a pushbutton system capable of storing subscribers' numbers.

3. Continuous overhaul of all APCs and older generation "Kuerassier" tank destroyers while simultaneously making certain improvements.

4. Equipping Austrian armored units with a new combat APC which allows the crew to engage in combat with full protective armor with onboard weapons of no less than 30 mm is under discussion.

5. Purchase of some 200 "Centurion" tanks from the Netherlands.

Procurement of the Centurions which were still in use in the Dutch army until recently is viewed as a genuine bargain, since the turrets are equipped with highly modern 105 mm L7 tank guns and since the purchase price corresponds to the tanks' scrap value.

Turrets of tanks which are in poor condition will be removed and reused in stationary emplacements whereas other moving parts which are still usable will serve as spare parts for those Centurions which are in good working order, i.e. about 180 tanks, which could be used to activate three antitank battalions.

Even if the defense ministry is right in assuming that it will cost some 9 million schillings per tank to modify the tanks needed for the three battalions, the purchase price is still extremely reasonable. Modernization of the Centurions would require diesel engines, new clutches and

new fire control systems which meet present demands so that the army would have a battle tank at its disposal which approximates the specifications of the M-60 and would be fully serviceable until the mid-nineties. What is especially advantageous about this purchase is that it affords Austria an opportunity of making tanks available to the mobile territorial units slated to operate in level terrain. One should also not forget that some 30 bunkers are being constructed annually. They are equipped with 105-mm antitank guns and thus represent a rather substantial defense component of their own.

Now a word about the artillery sector. The armored artillery battalion No 4, which I mentioned in my last article, has since been activated and has also taken part in a brigade maneuver in Upper Austria in August 1984. Plans have now been drawn up for strengthening the field artillery component by activating three more artillery battalions which are to be assigned to the two corps and the army. The armored field artillery battalion No 4 was given the modern M 109 A2 self-propelled howitzers and the M 109 guns of armored field artillery battalions Nos 3 and 9 are to be changed over into M 109 A2s and thus be brought up to current levels. In other words, a step forward will also be taken in the artillery sector during the course of this legislative session.

Even though these are the three main problem areas of Austrian defense which need to be resolved, solutions have also been sought and investments made in other areas over the past 2 years, e.g. in the motor vehicle sector where three major procurement programs are presently underway. In addition to the recently purchased 600 Puch "Ranger" mopeds which are primarily used for courier services in built-up areas and in light terrain, 670 250 KTM cross-country motorcycles are being purchased at this time. These new cross-country military motorcycles are equipped for winter service with an automatic transmission and landing skis attached on both sides to spring mounted rocker arms on which the driver stands and which allow him to move about much more safely in snowy terrain. In the spring, the skis and rocker arms can be removed.

The armed forces are also receiving the first shipment of the Puch G cross-country vehicle at this time. In all, the army will have more than 700 two-axle and three-axle versions of the vehicle with a 0.6-ton or 0.8-ton payload in use. For missions in which the Austrian army employs cross-country trucks, 2.3-ton VW trucks are being purchased. These VW-LT 45 trucks have larger cabs which provide room for six persons in addition to the driver. 100 more trucks of this type were delivered in 1984.

In addition to various other items, the Austrian armed forces were generally outfitted with light NBC protective clothing. Other major purchases included various types of engineer equipment, rock drilling equipment, grippers and the like. Also, to replenish the ample supply of American M 3 pushboats, about 10 pushboats built by an Austrian shipyard were purchased.

Of the "hot irons," the very important missile issue seems to be closer to a solution. It is to be hoped that the signatories of the state treaty will show understanding for our concerns and agree with the views of the Austrian experts who say that real defensive weapons--be they guns or self-propelled projectiles of less than 30 kilometers range--are not subject to the limitations of the state treaty. In the final analysis, all the neutral nations of Europe which are located in the zone of contact of the two big power blocs--i.e. Finland, Austria, Sweden and Switzerland--should be granted the same opportunities for self-defense.

The two remaining "hot irons" cited by the defense minister are in the area of personnel.

The first of these concerns the comparatively easy life now enjoyed by members of the civilian service, i.e. the difference in treatment between them and the members of the armed forces. To be sure, they both serve for 8 months. The soldier, however, must live in the barracks; he must get up early and is on duty for 10 or more hours often enough; he must carry heavy packs on cross-country marches, crawl through the terrain during maneuvers, dig foxholes, perform nighttime duty and be prepared to help out in major disasters, etc.

The member of the civilian service goes to his office in a leisurely fashion, works a normal 8-hour day without stress and strain and goes home at the end of the day. He has regular working hours and if he happens to be absent--then he is absent; there is no way of punishing him for it. For another thing, he is not called up for refresher training as most soldiers are at regular 2-year intervals. He does not work too hard and does not get his hands dirty and, to top it off, his pay is a great deal higher.

Previously, civilian service lasted several months longer than military service. Between 1 January 1957 and 31 December 1974, 2,633 applications for exemption from military service were submitted of which 2,145 were approved. When the longer period of civilian service was abolished on 1 January 1975, the number of so-called conscientious objectors increased exponentially.

During an equal time period, i.e. from 1 January 1975 to 31 December 1982, 20,212 qualified draftees were exempted from military service by reason of being conscientious objectors. It is therefore reasonable to assume that most of those performing civilian service are simply people who wish to avoid the unpleasantness of military service. The same conclusion may be reached on the basis of the fact that 33 percent of them would rather do their military service in case the term of civilian service were increased.

Because of this state of affairs, there is a popular initiative underway in Austria now which aims to establish an equality in burden-sharing. If that goal is achieved, i.e. if civilian service is lengthened to about 14 months, only those young men are likely to remain who really do not wish to take up arms out of conviction while the others would think twice about opting for such service.

The last of the three "hot irons" is the shortage of young men available for basic military service because of the low birth rate age groups now coming of draft age. Another aspect of this same problem are the as yet inconclusive discussions about accepting women for military service although there surely is a large number of young women who would volunteer for military service, even to the point of bearing arms. After all, they have been taught equality long enough. But for the time being, plans are to overcome the shortage of draftees by other means. Staff positions and office jobs will be looked at very closely with the aim of cutting down on non-essential jobs and altering fitness criteria for certain types of assignments.

In addition, some 300 young women were recently hired as contract employees to take the place of soldiers presently holding office jobs so that they can be assigned to regular military duty. There is also some thought being given to raising the age limit of those liable to take part in military exercises from 35 to 40 or 45 years of age. But in order to achieve the desired result from such a program, additional military exercises would probably have to be scheduled and that is something the legislature would first have to approve.

There is also some news to report from the officer sector. Since reserve lieutenants in Austria are phased out along with career officers, the actual phaseout patterns may be interpreted as an indication of popular attitudes toward national defense. This joint phaseout of regular army officers and reserve lieutenants is an indication of the fact that the reserve officers of the Austrian army are fully integrated. The fact that the number of lieutenants being phased out keeps climbing year after year can only be interpreted as proof that respect for the military is on the rise in Austria. Thus, on 23 September 1984, more than 600, i.e. 628 lieutenants (123 regular army and 505 reserve officers), were taken over by the Austrian army for the first time ever.

It may also be worth noting that, starting in late 1984 and extending over the following 2 years, a number of high command positions in the Austrian army will be newly filled. This will be the first time that such positions will not primarily be held by officers who served in World War II. Gen Hannes Philipp, for example, has been named army commander and Gen Othmar Tauschitz was appointed as head of section 4 (general logistics) of the defense ministry. Their respective successors are Div Gen Adolf-Erwin Felber as commanding officer of the Maria-Theresa Military Academy and Div Gen Ernest Kersch as head of general staff group A (for planning and organization). Command of II Corps was entrusted to Corps Commander Eduard Fiala and the command of the 9th Armored Infantry Brigade was given to Col Hans Moser, who replaced Brig Felber.

9478

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MILITARY

BELGIUM

RESERVE PARACOMMANDO BATTALION UNDERGOES READINESS TRAINING

Brussels VOX in French Mar 86 p 7

[Unattributed article: "..."]

[Excerpt] And yet the attainment of independence by the two territories took place under better conditions than that of the Congo. The 4th Commando group handed over its missions to the Rwandan National Guard and was repatriated in July. The battalion was officially dissolved on 1 October 1962 and its flag stored at the Royal Armed Forces Museum.

In the early seventies, the 4th Commando group became a reserve battalion of the Paracommando Regiment. The troop was manned by soldiers demobilized from other battalions. It consisted of the 23rd, 24th and 25th Companies and of one EMS company.

This was also the time when the CE Commando group officially received the flag of the 4th Commando group, which was meant to form part of the cadres for the battle ready 4th Commando Battalion.

The 4th Commando Battalion, a reserve unit, has taken over the traditions of the 4th Commando group, an active unit. Its personnel wears the green beret with the regiment's insignia and the same insignia on their uniform as the 2nd Commando group. The battalion has a mixed language regime.

The fourth call-back of the 4th Commando group since it was dissolved in 1962 was organized for 10 to 22 March 1986.

Numerous activities left hardly any time for the recalled soldiers to catch their breath... As a matter of fact, Lt Col BEM J. Beaudouin, corps chief of the 4th Commando Battalion, had already called back his reserve staff officers and non-commissioned officers to develop a well filled program.

Thus, after having gone through the traditional formalities of incorporation in Elsenborn -- for the EMS Company and the 24th Company -- and in Helchteren -- for the 23rd Company and the 25th Company --, the recalled soldiers found themselves in turn by company in Bourg-Leopold and in Elsenborn to carry out firing exercises with GP, Vigneron, Fal, MAG, LAW, and Mi 50's, and throwing grenades. During their stay at Bourg-Leopold, balloon jumps were organized at the CE Para. Also, at Schaffen the 638 recalled soldiers experienced the enormous satisfaction of once again taking the big leap!

Next, the paracommandos spent 2 days at Marche-les-Dames to review commando techniques -- climbing, rappelling, explosives, advancing on rough terrain --, and to practice them somewhat.

The radio operators, the MILAN units, the mortar units from the EMS Company, and the riflemen from the assault companies were also given so-called specialization courses geared to their function. Looking at the program grid, it was a real "10,000 piece" puzzle that Captain Adam, the battalion's S3, had to put together.

Following this first week of physical and technical conditioning, the 4th Commando Battalion was reassembled at Elsenborn. Within the framework of a battalion exercise based on the theme of "surface defense," the companies carried out maneuvers in the area of Burtonville, Trois-Ponts and Recht, performing small helicopter transported operations with "seize and hold" missions, and a mission to defend sensitive points.

Will it be possible, after this recall, to state that this reserve battalion has achieved an operational level identical to the other units of the Para-Commando Regiment? Seeing the maturity, good will and "spirit" of the green berets, who could doubt it?

8463

CSO: 3619/44

MILITARY

FEDERAL REPUBLIC OF GERMANY

AIR DEFENSE GROUND ENVIRONMENT SYSTEM GOES ON LINE

Bonn BUNDESWEHR AKTUELL in German 28 Apr 86 pp 1, 4

[Unattributed article: "A Gap Is Closed--GEADGE Gives the German Luftwaffe the Most Modern Ground Control System in NATO Air Defense"]

[Text] The modernization of air defense is progressing steadily and inexorably. While the course for an effective air defense extending into the 21st century has long since been set by the weapons systems "Roland" and "Patriot", whose deliveries to line units are to begin in the foreseeable future, a technologically highly developed ground control system became operational last week after more than 3 years of testing.

At the 1st Battalion of the 31st Communications Regiment in Messtetten, the system having the designation GEADGE (German Air Defense Ground Equipment) was placed into service by the Luftwaffe chief-of-staff, Lt Gen Eberhard Eimler. The system replaces the obsolescent air defense system 412 L in the area of the 4th ATAF and thus closes the gap in the NADGE (NATO Air Defense Ground Environment) system extending from Norway to Turkey which was previously filled by the 412 L system.

GEADGE--a NATO project with national participation--gives the German Luftwaffe the most modern and most efficient system of this type in the alliance. The system, procured at a cost of DM 428 million comprises the following:

- an air defense sector command post (SOC-3);
- four flight reporting and control centers (CRC);
- three remote automatic radar flight reporting points (RRP);
- two mobile radars (TRRP); and
- one test and training site.

With the introduction of this system, which covers the entire south German area, not only does the most modern computer technology make its entry into the radar flight reporting and control centers (CRC) Boerfink, Freising, Lauda, and Messtetten, which will be equipped with a central computer section, a visual display group and a communications subsystem.

Above and beyond this, GEADGE offers a whole series of additional advantages over NADGE and particularly the 412 L. System design and technology are the basis for:

- substantial savings in personnel (circa 280 slots);
- an increase in performance capability;
- improving flexibility;
- standardization;
- reducing the maintenance, repair, and training effort.

In addition, the GEADGE system "architecture" was deliberately designed with a view to expanding and supplementing the system network. GEADGE thus meets the prerequisites for the planned Air Command and Control System (ACCS), and represents the first step toward the strived-for goal of readiness for the control of combined aerial warfare operations.

Still to follow are:

- the integration of the United States' SAM units, which currently can only be provisionally linked up, thus making possible for the first time, among other things, an exchange of air situation data between the SAM systems and the radar flight reporting and control centers, which creates new tactical possibilities;
- the procurement and complete integration of modern, software-guided sensors for the radar flight reporting points;
- the establishment of interoperability with other control and control data systems, such as EIFEL, for example.

In view of the increased threat posed by the air forces of the Warsaw Pact, Lt Gen Eimler called the introduction of GEADGE an additional step toward the absolutely essential "across-the-board renewal" of air defense. Eimler said: "The reasons for this lie in the fundamental changes which the air forces of the Warsaw Pact are currently undergoing. They are disengaging themselves from the support and air defense role and are steadily gaining in offensive strength, with no end to this development in sight. Fighter aircraft are being replaced by fighter-bombers, older fighter-bombers by more efficient ones. Added to this are modern bombers. Also disturbing is the numerically very strong and still growing attack helicopter potential, which frees the fighter-bombers for operations in depth."

12689/9871
CSO: 3620/694

MILITARY

NORWAY

GENERAL: 35-YEAR BASE POLICY NEEDS RECONSIDERATION

Oslo AFTENPOSTEN in Norwegian 13 May 86 p 12

[Op Ed Article by Major General Paul M. Strande; first paragraph is AFTEN-POSTEN introduction]

[Text] Major General Paul M. Strande has been chief of staff with the North Norway commander in chief for 6 years and head of the North Norway/Division 6 district command for 6 years. Thus he has had special reason to keep track of and evaluate threat developments. In this article he says that it is time to reconsider our 35-year-old base policy.

The Soviet Union made a very smart move in 1949 when in response to a Soviet query the Norwegian government took a stand on Norwegian policy that has been regarded as valid ever since.

The Soviet ambassador's note of 29 January 1949 asked the government among other things "to what extent the Norwegian government intends to commit itself to the Atlantic Treaty with regard to the placement of air or naval bases on Norwegian territory."

The Norwegian government's reply--which was made on 1 February--contained this statement: "The Norwegian government will not enter into an agreement with other nations that involves Norwegian commitment to open bases for the armed forces of foreign powers on Norwegian territory as long as Norway is not under attack or threatened by an attack."

Although the answer to the Soviet question was not very farsighted, it is very understandable in view of the situation at that time.

Development

Since the Norwegian reply was made, radical changes have taken place in the military policy situation both in a global context and in areas that affect Norway in particular.

The Soviet Union has acquired a nuclear arsenal comparable to that of the United States.

The Soviet Union has built up an unparalleled submarine fleet and a fleet of surface vessels that can make an impact in all the world's oceans.

The Soviet Union has acquired supporters and naval bases in all parts of the world with the exception of Australia. To a large extent this has taken place in waters that were under the control or influence of the western allies in 1949.

The Soviet Union has both said and demonstrated that it is willing to use armed power to force neighboring countries to do what it wants.

The western allies have succeeded in rebuilding their conventional forces to a level that would substantially block a quick Soviet victory in Europe. There are also forces available to reinforce the defense of Norway if they can be brought in in time.

The Murmansk-Kola area has been turned into one of the Soviet Union's two most important naval bases. About half of the almost 4,000 Soviet submarines are based here. There are also around 200 naval vessels and enough landing craft to transport more than the single marine brigade that is stationed in the area. The North Fleet's Spetsnats brigade is also based here along with the North Fleet's more than 250 airplanes and close to 100 helicopters. There are also around 30 nuclear weapons carriers in Kola, 18 of them with a range that is only a threat to Scandinavian targets.

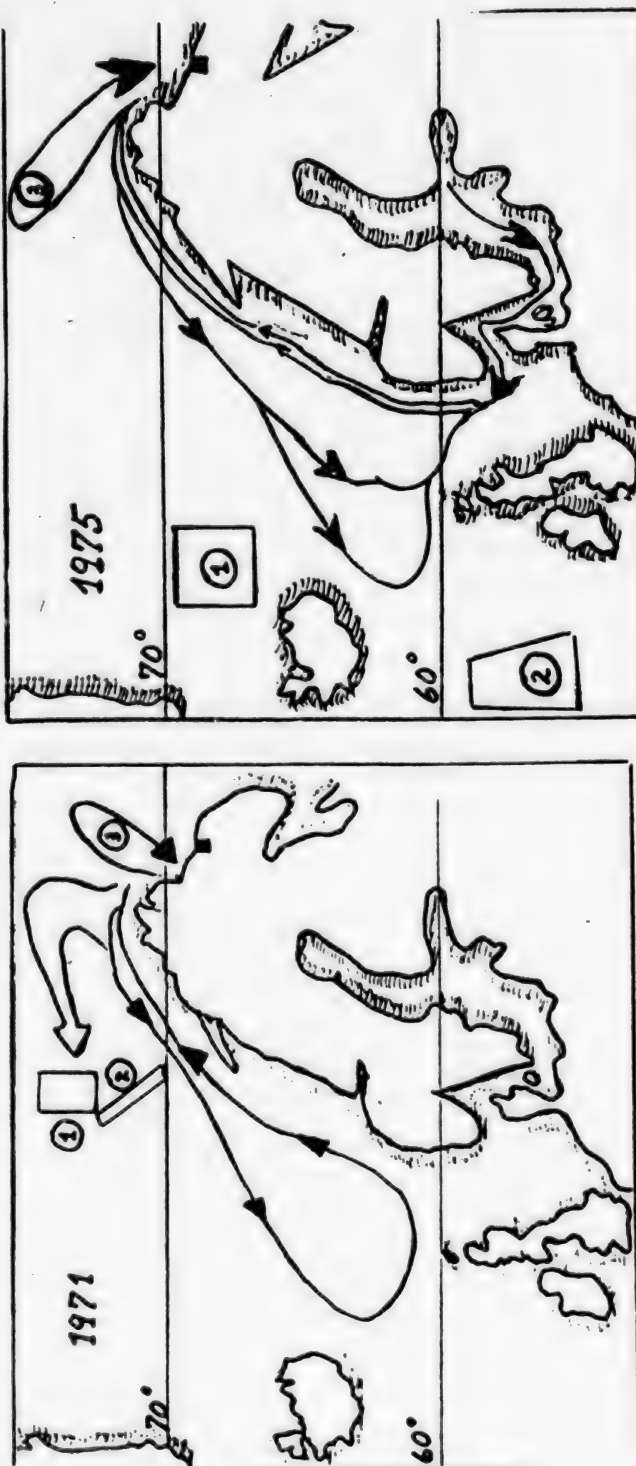
We also find in this area two mechanized divisions that include 500 medium-weight tanks, quite enough to launch an attack against Norwegian territory. Transport capacity from the south is great enough that the area could be reinforced by 1 division per day. The Soviet capacity was clearly demonstrated in 1968.

At that time we held the "Polar Express" exercise in Troms--more than 600 km from the border. A Soviet mechanized division marched up to our border with the guns of its tanks pointed westward--clearly visible to the Norwegian soldiers guarding the border. Large air and ground forces were also flown into the area.

However it is the Soviet naval buildup and the development of naval exercise patterns that is the main factor in changing our military policy situation compared to the situation in 1949.

Until the 1970's landing exercises were limited to short sea transports in the Fiskerhalvoya area. It is true that in 1971 a few surface vessels sailed as far south as the Stadt-Iceland line, but the submarine fields were between Troms and Bjornoya.

With the "Okean" exercise in 1975, the large combined Soviet exercises changed character in a very drastic way. The submarine fields now lay near the Strait of Denmark and south of Iceland. Surface vessels and cruising planes could be found as far south as the North Sea and forays were made out into the Atlantic.



The sketch on the left shows the main features of the big Soviet combined exercises in 1971. Nos 1 and 2 are submarine fields while 3 indicates an amphibious operation with a battalion group.

The sketch on the right shows the submarine fields and the waters used by surface vessels and amphibious forces in 1975.

Amphibious forces on landing craft emerged from the Baltic Sea and came all the way up our coastline to Fiskerhalvoya. Commercial ships loaded with heavy military materiel also took part in the exercise. Since then large Soviet combined exercises in these waters have followed the same basic pattern, except that the forces have steadily increased in size.

The exercises in 1985 ("Summerex-85") confirmed that the Soviets are considering as a viable alternative not only protecting the valuable Kola bases as much as possible but also: cutting off communication lines between the United States and Europe--and especially Scandinavia; controlling or at least establishing naval supremacy and air superiority as far south in the Norwegian and North Seas as possible; and ensuring passage into the Atlantic.

Our Situation

To leave the Soviet Union in no doubt as to NATO solidarity and the fact that an action against a small part of the NATO area will be met by NATO forces, small army, navy and air force units have been picked out to come into a threatened area before an attack occurs and thus prevent the outbreak of hostilities. These so-called Allied Mobile Force (AMF) units have held exercises in Norway several times. However we have no guarantee that these forces could be called in in time. Some of them also have other duties in the event war breaks out. In view of this, a better way of preventing an attack would obviously be to station NATO forces in the area in peacetime.

The Soviet exercises have shown quite clearly that our country lies behind the Soviet naval forces' advanced lines of defense. This would make the bringing in of reinforcements from the West by sea to Norway, and especially North Norway, so risky that it would take a great deal to make the operation acceptable. To deal with this, some of the reinforcement units' heavier equipment has been stored in Norway so that the units and their lighter equipment can be flown in.

With the opportunities the Soviet Union has of quickly establishing air superiority over large parts of North Norway, air transports there could also be more risky than our allies will care for under certain conditions.

The development that has taken place in Soviet forces and their exercises seems to have placed the Soviet Union in a much better position than it was in 35 years ago with regard to preventing allied reinforcements from reaching Norway--and especially North Norway.

We have not stationed allied forces in Norway in peacetime. To "preserve a low level of tension in the northern region," as they say, our defense forces are also subject to certain restrictions with regard to allied exercises. The Soviet Union does not seem to have imposed any restrictions on itself to "preserve a low level of tension."

It is time to show that the statement made to the Soviet Union about our base policy in 1949 is no longer regarded as meeting our needs in 1986.

6578

CSO: 3639/111

ECONOMIC

DENMARK

FAEROE ISLANDERS SEEKING TO EXPAND EXPORT BASE, AVERT CRISIS

High Consumption Rate Continuing

Copenhagen BERLINGSKE TIDENDE in Danish 6 Apr 86 Sect III p 7

[Article by Jesper Elle]

[Text] The Faeroe Islanders want greater freedom in their relations with Denmark. Independence, however, costs money, and the economy of the Faeroe Islands is in a poor shape, one of the reasons being the high standard of living of the Faeroe Islanders, which is close to touching the world record.

The Faeroe Islanders live well.

The standard of living ranges among the highest in the world, but the 45,000 Faeroe Islanders have had to recognize the dark side of the picture.

The balance of payments deficit is approaching disastrously high levels. Last year, it was well over 470 million kroner. That is twice as high per capita as the Danish deficit.

The Faeroe Islanders already have a net foreign debt of 3.5 billion kroner, and the Advisory Committee on the Faeroe Islands of the Prime Minister's Department has anew pointed to the serious economic development, suggesting strong economic measures of intervention in the form of higher indirect taxes.

The fact that the deficit did not become any higher than it did--a deficit of nearly 1 billion kroner having been provided for in the budget--is not a reflection of any improvement in the economy, Atli Dam, government head of the Faeroe Islands, admits.

Rising fish prices caused an increase in export earnings of 270 million kroner. The lower crude oil prices improved the result by 100 million kroner, a single ship was sold abroad for 60 million kroner, and other ships which will only be delivered and paid for this year, have contributed to bringing down the deficit.

The Faeroe Islands would not be able to manage without subsidies. In 1985, Denmark's subsidies to the Faeroe Islands amounted to 730 million kroner. The subsidies cover one third of the public expenditures--including a subsidy of 100 million kroner to the main industry, the fishing industry, which accounts for approximately 95 percent of the export.

The Faeroese government head says that in granting subsidies to the fishing industry, the government is paying back tax money. During the last few years, the Faeroese government has gradually reduced its subsidies, which reached the peak of 400 million kroner a couple of years ago. This year the subsidies amounted to 260 million kroner only.

The political objective is to eliminate the subsidies to the fishing industry entirely. It does not make sense to collect taxes from the dominant industry with one hand and giving subsidies with the other, the politicians say.

Fishing Industry

However, big investments will continue to be made in the Faeroese fishing industry.

The expansion of the fishing limits to 200 nautical miles in 1977 marked the beginning of a distinct reorganization of the fishing industry. The Faeroe Islands had to withdraw a large portion of their fishing fleet, which resulted in overfishing in the nearby waters, especially of cod and coalfish.

According to marine biologists, the fishing fleet has a surplus capacity of close to 40 percent, and Faeroe Islanders, consequently, are now investing in other types of vessels which are capable of fishing at great ocean depths, among other things, for shrimp and 'the fish of the future,' the blue whiting, which is processed into so-called 'fish sticks.'

The building program of the Faeroese government comprises eighteen new ships, and the budget is for 1 billion kroner. But not everybody is equally optimistic. Birgir Danielsen, managing director of Fiskasøla, the cooperative of fish exporters, does not find any basis for optimism, as far as larger catches of blue whiting are concerned.

"The resources of demersal fish are limited, and with eighteen new ships, the surplus capacity of the fishing fleet will increase. At the same time, there are limits to the quantities of blue whiting that may be caught.

A characteristic of demersal fish is that they have a very long growth period--up to 20 years. It should also be realized that deep-sea fishing has not yet yielded any major results. And it is costly. A ship equipped for deep-sea fishing for blue whiting costs up to 100 million kroner," Birgir Danielsen says, adding that Fiskasøla has not given its opinion nor has it been asked to make recommendations in connection with the building program. "It is a purely political decision," he says.

Fiskasøla, the membership of which is 180 fish exporters, focuses, for the time being, on the development of new fish products for export--and things are going well. The turnover was 1.8 billion kroner in 1985, and Fiskasøla accounted for 77 percent of the total export of the Faeroe Islands.

New Ways

The Faeroe Islanders are trying in every respect to find new ways of improving their depressed economy.

Fish breeding is a new industry that is really becoming a success, and the fish breeding industry is expected to reach an export of fish worth 800 million kroner in the course of the next 2 to 3 years.

So far, sixty permits have been given for breeding of fish fry, which the Faeroese government wants to keep an eye on. The operations will have to be supervised to prevent the outbreak of contagious diseases and pollution and to prevent the fish breeding plants from causing any harm to one another.

Fishing tackle, machinery and EDP systems are being developed and produced in connection with the fishing industry, and many millions of kroner are being invested in new equipment for the fishing industry.

There are also examples of export of know-how on fish production and marketing. Fiskasøla has, for 4 years, been working on a project which has resulted in the construction of a fish processing plant for 80 million kroner in Dakar in Senegal. The entire project cost 115 million kroner and employs a couple of Faeroese ships, which have carried through experimental fishing off Senegal.

Apart from the fishing industry, the industrial sector of the Faeroe Islands is rather limited, and attempts to create alternative industries are making rather slow progress, says the government head of the Faeroe Islands.

Agriculture which, till the turn of the century, was the main industry of the Faeroe Islands, is today a rather limited industry, and the well-known Faeroese sweaters, made from wool from sheep grazing freely, do not sell too well either. The turnover of the only spinning mill in the Faeroe Islands selling yarn and finished products has dropped sharply. From 8 million kroner in 1982 to 4.5 million kroner last year.

Optimism

Despite their gloomy economic situation, the Faeroe Islanders carry on with their lives without showing the least traces of distress.

They purchase cars, linens, color-television sets, videotape recorders and other imported consumer goods to an extent that beats most other countries. The Faeroe Islanders make good money and, for example, have more cars per capita than the Danes, even if the purchase tax on cars of 190 percent is similar to the Danish one.

Unemployment is an unknown phenomenon, apart from a slight seasonal unemployment trend. There are always jobs to be had onboard fishing boats or within the fishing industry. The fishing industry is the safety net which replaces unemployment benefits.

The tax system is very simple, almost a gross-income system, and in the eyes of the Danes, the Faeroe Islanders pay low taxes. The marginal tax rate does not go beyond 63 percent, and there is no capital gains tax, even if the majority of the local parliament favors taxation of capital gains and speculative gains.

Nor is there any property tax, which most politicians find unfortunate, but nobody would dare to touch the issue of land taxation. What a person has purchased and built, he owns for 100 percent.

Independence

A higher degree of independence is the constant goal of Faeroe Islanders.

The Faeroe Islands are outside the Common Market, where they prefer to remain. In view of the vast waters outside the domain of the EC, it is more profitable for the Faeroe Islands to remain outside the EC, unless Norway joins the community. That would change the situation, says Atli Dam, government head.

Relations with Denmark are described as good and beneficial for both parties, but the Faeroe Islands would like to receive the earmarked subsidies from Denmark as a total block grant. That would give the Faeroe Islands greater freedom of action and would, at the same time, reinforce the Faeroe Islanders' feelings of independence.

The six political parties represented in the Faeroese parliament represent different positions on the issue whether to remain within the Kingdom of Denmark or achieve complete independence.

The Social Democratic Party and the Unity Party want to remain within the Kingdom of Denmark. The Home-Rule Party is working together with the People's Party for the gradual introduction of independence for the Faeroe Islands as the economic basis for such independence is gradually provided. Independence takes money, they admit.

The Republican Party wants a Faeroese republic established as soon as possible. The Christian People's Party/the Progressive Party and the Fishing Industry Party do not want to participate in this controversy, their objective being for the Faeroe Islands to become self-sufficient.

There is full agreement that the right to the underground and thus to the oil and gas of which traces have been found, belongs to the Faeroe Islands. If Denmark is to get a share of future oil incomes, this will become a question of negotiations, the head of the Faeroese government says.

It is difficult reaching agreement on relations to NATO. A single party, the People's Party, would like to participate in the defense community, but Faeroe Islanders in general consider the NATO radar station on the Faeroe Islands somewhat of a thorn in the flesh. The question has been the subject of negotiations on four occasions since 1970 without any results.

Incidentally, it is rather long since a majority within the local parliament decided to declare the Faeroe Islands a nuclear-free area and informed the Danish government of it.

"We have not had any reaction from Copenhagen to this decision, they are probably still digesting it," as a member of the local parliament put it.

Denmark With Similar Problems

Copenhagen BERLINGSKE TIDENDE in Danish 23 Apr 86 p 20

[Editorial: "The Small Country"]

[Excerpt] There are apparently certain things that a nation may be able to get away with, provided it is sufficiently small. Like, for example, the Danish nation, though the Danes probably have not realized the correlation themselves. We Danes might benefit from the kind of object lesson which--like the article in BERLINGSKE SONDAG--would provide a clear-cut picture of the situation.

The Faeroe Islanders have a high standard of living in relation to their poor economy. They may have the highest standard of living in the world, at the same time as they are incurring foreign debt at twice the rate of the Danes, measured on a per capita basis. Well, the Faeroese population is smaller than 1 percent of the Danish population, not even that. That is why the Danish subsidies to the economy of the islands in the Atlantic may be acceptable to us. The Faeroese phenomenon is viewed from Denmark with relaxed and gentle interest.

The Danish nation probably accounts for around 1 percent of the NATO population. For decades, we have been incurring foreign debt at a rate that no major industrialized nation would dream of, let alone allow itself to incur. Like the Faeroe Islands, though it may be slightly less apparent, we have the wrong economic structure, with a too small marketable production in relation to our standard of living. Well, our friends within the EC and NATO will say, the Danes are such friendly and sympathetic people, whom we should like to keep within the Western alliance, and the country is small enough for us to be lenient in allowing it further credits.

7262

CS0: 3613/129

ECONOMIC

DENMARK

SCHLUTER DEFENDS RECORD ON ECONOMY

Other Leaders Comment

Copenhagen BERLINGSKE TIDENDE in Danish 13 Apr 86 p 1

[Article by Ole Dall]

[Text] "The Danes have reached an exceptionally high level of affluence," Prime Minister Poul Schluter (Conservative Party) said in a long speech on the efforts of the government. Helveg Petersen: "I am unable to match the enthusiasm of the prime minister."

Prime Minister Poul Schluter's well-known optimism beat all records in his speech yesterday to his own party members at a Conservative committee meeting at Christiansborg [parliament], in which he reported on the economic situation and the efforts of the Four-Leaf-Clover Government:

"Things are actually going unbelievably well in Denmark of today. It is a fact that the Danes today have reached a level of affluence that is unprecedented in our history, Poul Schluter said, adding with regard to the consumption of the Danes:

"The consumption of the Danes of clothing, housing, food, liquor, furniture, linens, cars, vacation trips, etc., is today 20 percent higher than in 1973."

The prime minister, subsequently, elaborated on his statement that things are going "unbelievably well." He referred, among other things, to the sharp increase in the rate of employment, the balanced budget, the improved situation of small independent businesses, the increasing real incomes of pensioners and the decline in the number of social welfare recipients. At the same time, Poul Schluter urged the government to stick together:

"Each party is entitled to present the party's special profile to the voters. However, the willingness to stick together must be stronger than the temptation to mark one's position through statements or actions which are annoying, not to say disloyal to the three other parties."

The three other coalition parties agree that things are going "unbelievably well," but a couple of party leaders would have put it somewhat differently:

Erhard Jakobsen (Center Democrats): "I express myself in a different way, but it is quite true that people have no reason to complain. The rate of consumption has increased--not among a few but among a large section of the population, and the major problem is now the balance of payments deficit."

Flemming Kofod-Svendsen (Christian People's Party): "All of us have our own language, and we put things somewhat differently. It is incredibly gratifying that the employment rate has increased by 150,000 jobs, that our aid to the developing countries has been raised and that Denmark is now accepting more refugees."

The financial policy spokesman of the Liberal Party, Anders Fogh Rasmussen, says: "It is true that things are going fantastically well in nearly all areas. Optimism is self-reinforcing. It kills one to listen to bewildered and pessimistic politicians. One point, however, should not be forgotten: the problem of the balance of payments deficit."

Niels Helveg Petersen (Radical Liberal Party) also takes an optimistic view of a number of aspects of the Danish economic situation, but the leader of the Radical Liberal Party adds: "There is still a 'black mark on welfare,' for despite increasing employment, the unemployment rate is still far too high. As long as that is the case, I am unable to match the enthusiasm of the prime minister. At the same time, a large part of the consumption is taking place for borrowed money, and there are balance of payments problems."

Newspaper Assesses Address

Copenhagen BERLINGSKE TIDENDE in Danish 13 Apr 86 p 20

[Editorial: "Schluter's Happy Speech"]

[Text] A happy prime minister yesterday made his report.

Poul Schluter spoke as party chairman and received his Conservative party members' enthusiastic support for the policy pursued by the government. Things are going incredibly well, the prime minister stated. We have reached a level of affluence that is unprecedented in the history of the country. He was able to substantiate his claim in a convincing manner. But what about the tax pressure? And what about the balance of payments? Is it not true that things are not going well in both respects? Indeed, but also in respect to these problems, the prime minister had ready answers. High interest rates will have to be paid on old debt created by the Social Democratic government. And high daily unemployment benefits will have to be paid in consequence of the high unemployment rate. But interest costs are declining, and the employment rate is increasing. The prime minister was thus brave enough to predict a future in which it will be possible to reduce the tax pressure considerably.

It is a speech such as this one that causes the Social Democrats to fume. They find it difficult to face facts. They find that the coalition parties undermine the welfare society, and they do not want to admit that very important results have actually been achieved, as far as the recovery policy is concerned. But who believes that they would have been able to carry through a policy which would have prevented the society from ending in the abyss? Not even the most fanatic Social Democrats can possibly believe that. That is why the Opposition appears so futile when it refuses to participate in the economic policy and instead gathers its forces to create alternative majorities for foreign and security policy demonstrations. Perhaps the Social Democratic Party will one day be able to overthrow the government because it will move across a threshold where the government will have to stop. However, among the population such a crisis will be met with justified fears that a Social Democratic government, supported by the Socialist People's Party, will destroy the economic policy which has been extremely necessary and useful for the society. The prime minister was right in asking the question whether the country can afford at all to get another Social Democratic government.

The government has not solved its task--not yet. Poul Schluter admits that there are still many problems and that some of them will be difficult to solve. The non-socialist majority which forms the basis for the Four-Leaf-Clover Government, however, has shown that it has got both the willingness and the ability for it. That is why he is justified in using big words and that is why others should share his happy optimism.

7262

CSO: 3613/133

ECONOMIC

DENMARK

AFFLUENT SACRIFICING LIVING STANDARDS FOR SCHLUTER SUCCESS

Copenhagen BERLINGSKE TIDENDE in Danish 6 Apr 86 p 10

[Article by Frank Dahlgaard]

[Text] The affluent have become the victims of the Schluter government. On the other hand, lots of ordinary workers and salaried employees of the lower income brackets are experiencing economic security and progress as a direct result of the policy pursued by the Four-Leaf-Clover Government.

When, 3½ years ago, the Four-Leaf-Clover Government took over, Poul Schluter, in his capacity of newly elected prime minister, announced that "it will from now on be easier being a Dane."

If one is to believe the words of Svend Auken, deputy chairman of the Social Democratic Party, this promise has only been redeemed for the affluent section of the population--the section described by Svend Auken as "the upper-class Danes." Workers, pensioners and the young people belonging to "the lower-class Danes," on the other hand, have experienced a deterioration in their situation, according to Svend Auken.

However, this claim of an increasing gap between poor and rich in Schluter's Denmark does not agree with the signals issued from real life outside the walls of parliament.

Here, it is increasingly the affluent with relatively high family incomes who claim that they find it difficult to make ends meet.

BERLINGSKE SØNDAG thus published a thought-provoking interview on 23 March with a family of teachers, who presented their budget to the readers. The total income of the couple was 425,000 kroner, plus extra incomes from various jobs of the three children. The family lives in a big house at Holte, has two cars and a camping wagon, takes vacations abroad each year and should, on the whole, be reckoned among the well-to-do of the society--the section of the population described by Svend Auken as the "Upper Class Denmark."

Nevertheless, this family has experienced economic problems of recent years--which, clearly, is a typical phenomenon among a large number of the affluent.

The Holte family should definitely not be accused of complaining. On the contrary, the couple said openly and honestly in the interview with BERLINGSKE TIDENDE: "We do not want to convey the impression that we are complaining. We have a big income compared to many others, and we have a good life, but we can no longer afford any impulse purchases. Our budget has become rather tight compared to previously."

What has, indeed, happened to the Holte family and the tens of thousands of other affluent families in Denmark who of recent years have found it increasingly difficult to make ends meet?

The answer is that they have had to sacrifice their living standards for the success of Schluter's recovery policy.

And it may be added that many families among the affluent will find it even more difficult to make ends meet once the tax reform will reduce interest deductions.

When Is a Person Rich?

The question whether one feels rich or poor is not only a question of incomes. It is equally a question of expenditures.

If, for example, one has incurred large, fixed expenditures in the early eighties in expectation of wage or salary increases of approximately 10 percent annually, one has, undoubtedly, become unpleasantly surprised at the anti-inflationary policy of the Schluter government.

That is clearly the problem of the Holte family.

If Anker Jørgensen and Svend Auken had remained in power and had continued their deficit and inflationary policy, the couple of teachers in Holte and lots of other people with secure jobs would not have got into an economic squeeze. For in that case, the inflation and salary and wage increases would have made it easy for them to meet their big mortgage payments. In that case, the affluent would not have experienced any increasing real estate taxes, rental values and property taxes, which have emerged in the wake of the declining interest rate and the sharply increasing property prices.

On the other hand, hundreds of thousands of working class families belonging to the "lower-class Denmark," would not have experienced the increased affluence which they actually have experienced under the Four-Leaf-Clover Government on the strength of increasing employment and real wages and declining unemployment.

The secret of a good economy is simply to spend less money than one earns. The validity of this principle, however, was contested by the inflationary policy of the sixties and the seventies, when an increasing number of people found that it actually paid to become indebted and to live beyond one's means. Conversely, if one deposited one's savings in the bank or invested them in securities, they would lose their value on account of the inflation.

Inflation, however, is surprisingly quickly reduced to close to the zero level, and the sooner people discover that it is dangerous to become indebted, the fewer will encounter the difficulties experienced by the Holte family.

An inflation that has been halted is solely the problem of the affluent. For few among those who are without means can afford borrowing large amounts of money. Nor do such people have the possibility of purchasing homes or summer cottages--and thus of incurring large mortgage debts.

Calculations of Independent Advisory Council

Nine years ago the Independent Advisory Council presented some interesting calculations of the distributive effects of the inflation (Report of Independent Advisory Council of May 1977).

Their conclusion was quite clearly that inflation is an advantage to independent business people and owners of real estate (that has been mortgaged). For these people will have large capital gains when the money value declines. Conversely, the losers in an inflation are typically salary and wage earners without their own homes or other real estate.

As Svend Auken puts it, one may thus say that the inflation makes the affluent richer and those without means poorer. This means, on the other hand, that stable prices and a fixed krone value are an economic advantage to those who are without means.

Schluter's anti-inflation policy has thus clearly been in the interest of salary and wage earners who do not own property.

In the above report (page 92), the Independent Advisory Council writes that although an effective incomes policy during a period of transition will mean higher incomes for independent business people and smaller real incomes for salary and wage earners, as a result of the above-mentioned shifts in property ownership, the situation will change to the advantage of salary and wage earners who do not own real estate--thus those who are without means.

And the Independent Advisory Council adds that if one, furthermore, takes into consideration the fact that lower increases in salaries and wages reduce the need for increasing direct and indirect taxes, more of the fully employed salary and wage earners will gain by a wage/incomes policy compared to a policy which passively allows prices and salaries and wages to increase.

With regard to the wage and salary policy, the Independent Advisory Council adds: "However, the unemployed who become employed will, naturally, be the ones who gain the most."

It is an indisputable fact that, as a result of the salary/wage and recovery policy, more people have become employed and the unemployment rate has dropped.

Progress for Those Without Means

Since Svend Auken and Anker Jorgensen gave up and voluntarily surrendered the government power to Schluter and his coalition, 151,000 more jobs have been provided. At the same time, the unemployment rate has dropped to the lowest level in the last 5 years.

An analysis of the unemployment figures will clearly show that the higher employment rate has primarily benefitted those without means.

In the course of the last 12 months, the total number of registered unemployed has dropped by 14 percent. Among university graduates, the number of unemployed, however, has increased by 2 percent, whereas salaried employees and civil servants experienced a decline in their unemployment rate of only 6 percent.

The largest drop in the unemployment rate took place among workers within the building and construction sector (- 37 percent), among metal workers (- 25 percent) and among unskilled laborers (- 17 percent). The unemployment statistics moreover show that the unemployment rate has dropped particularly sharply among the long-term jobless as well as among young people.

If, indeed, Svend Auken is as concerned on behalf of those without means as he claims to be, he ought to be enthusiastic about this development.

Greater Security and Optimism

However, the increase in social security and welfare is far greater among those without means than reflected in the welcome trend of the unemployment figures.

For concurrently with the increasing employment rate, the fear of unemployment has vanished from hundreds of thousands of Danish homes. The risk of a decline in income has thus been reduced drastically. The result is, of course, that ordinary salary and wage earners now dare spend a larger portion of their current incomes. At the same time, lots of salary and wage earners have got the possibility of accepting overtime work with resulting higher incomes.

Claiming that it is merely the affluent who have had a higher consumption is closing one's eyes to the actual facts. Svend Auken might thus ask the Holte family if they had had an increased consumption.

The so-called consumer index of the Department of Statistics, which is based on quarterly interview with 2,000 families, shows a marked increase 6 months after the Four-Leaf-Clover Government took over. Since then, the said index has remained at the higher level.

Svend Auken may ask the Department of Statistics if they only interview affluent families or whether they interview a representative section of the Danish population, comprising all social strata.

The latter, of course, is the case.

The fact is that ordinary workers, salaried employees and their families feel optimistic, secure and confident about the future. It is also a fact that especially workers and salaried employees within the private labor market have experienced a noticeable increase in their real incomes since the wage and salary intervention last spring. This, of course, is also reflected in a bigger consumption.

Finally, pensioners as the only population group have retained the automatic price index regulation of the national pension. That has meant a bigger purchasing power for them.

If the Four-Leaf-Clover Government adheres to its anti-inflation policy, a large section of the affluent Danish population will have increasing difficulties making ends meet because the tax reform combined with the lower price increases will make their mortgage payments increasingly difficult to meet. An increasing number of foreclosures are not unlikely as a result of the recovery policy.

In the next few years, things will certainly not become easier for a large number of affluent Danes, to whom Svend Auken himself belongs.

There is no doubt that the economic recovery has taken place pari passu with a social recovery.

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ECONOMIC

DENMARK

GOVERNMENT QUIETLY PLANNING MEASURES TO ATTACK TRADE DEFICIT

Copenhagen BORSENS NYHEDSMAGASIN in Danish 21-28 Apr 86 p 8

[Article by John Wagner: "Government Planning New Economic Measures"]

[Text] The Budget Department is preparing plans for a new economic strategy. The first trial balloon will be sent up this summer and the possible change in direction will occur at the time of the speech from the throne this fall.

A few days after the approval of the Easter package, five or six of Palle Simonsen's most influential economists in the Budget Department agreed that, during the coming weeks, they would work out a plan which could change the government's economic strategy radically. The background for this is that, while a balanced domestic budget will be realized this year, the trade balance continues to be the government's Achilles' tendon.

The first brief from the government's economists is expected to be presented within a few days, but the change of course will occur during the fall at the earliest. The first indicators may appear in the "little publication" which the Budget Department will make public when the budget bill for 1987 is presented in the middle of August. /If/ a change of direction takes place!

BORSENS NYHEDSMAGASIN has learned that the Budget Department's preparations are being made with the full approval of the finance minister. The government itself, however, has not been given an orientation. And leading politicians from the governing parties are both surprised and astonished over the confirmed rumors which contain two elements:

-Calculations of what change foreign economic conditions mean for domestic economic growth--including the decline in the price of oil products, the fall in the price of the dollar and the continued weak growth in our most important export markets.

-An extensive analysis of what possibilities exist for the government in terms of pursuing a less-stringent income and money policy, increasing efforts toward expansive policies without a temporary side effect in terms of a worsening of salary competitiveness and the balance of trade. It is particularly this analysis which can have great significance for the government's position regarding the upcoming collective bargaining sessions.

The economic change in direction probably will include the government at long last admitting that it will /not/ achieve a balance in the trade deficit in 1988 as a result of the income and money policies which have been implemented up to now. It also was only a few days ago that the Western industrialized countries' cooperation organization, OECD, in a report on the economic growth in Denmark stated three reasons why the government will not accomplish its goals: The growth in the other OECD countries is too small for increased Danish exports in the degree which the government has hoped. The international interest level is thought not likely to fall this year. And structural problems in domestic businesses compound the problem.

Government economists up to now have rejected OECD's calculations, which, among other things, do not take into account the effects of the Easter package on the trade balance--approximately 4 billion kroner--just as the adjustment in the value of the krone after Easter (with marginal significance) also has not been included in the calculations. On the other hand, there is an increasing admission of the fact that prospects for exports remind one of the Danish weather reports at the beginning of April: Gloomy.

Accordingly, the Budget Department economists are working now on a more offensive strategy which first and foremost will solve commercial structural problems. Whereas up to now--especially with the Easter package--it has been the government's objective to get imports down to the level of exports, the effort in the future will be to get exports up to the level of imports. And this will require a far more offensive and export-oriented business policy, just as the development of new Danish products will need to be strongly intensified. The change in ministers, with the naming of a new industry minister, Nils Wilhjelm, and a new labor minister, Henning Dyremose, was not coincidental in this regard. Exactly the opposite.

Instead of the old objective of a trade balance in 1988, the government is expected to establish new objectives--now with the emphasis being on improvements in productivity and exports. And in order to improve productivity and facilitate the collective bargaining negotiations this winter, one may expect promises of tax reductions (perhaps in connection with voluntary profit sharing in the business community)--if collective bargaining is not to totally undermine wage-competitiveness. An incentive for further savings in the new economic policies is expected to provide the impetus for general pension arrangements within the entire LO area. This also will bring with it a peaceful result to the collective bargaining negotiations.

As far as BORSENS NYHEDSMAGASIN can learn, the Budget Department evaluations initially will be debated during a full-day ministers' meeting in June, while Parliament is on summer vacation. And thereafter during two ministerial meetings in August and the beginning of September, with a view toward working out the prime minister's opening speech.

On the one hand, a change of direction is natural after nearly four years of a harsh income policy and tight money policy. On the other hand, it is compelled of necessity. Public opinion polls show that particularly the Easter package has cost the governing parties and the Radical Left considerable voter support. So great that the Social Democrats and Socialist People's parties have a majority in a Gallup survey which BERLINGSKE TIDENDE published two weeks ago.

Nonetheless, there are non-socialist politicians who are afraid to change directions. How will the core voters among the Conservatives and Liberals react if this government--just as the Liberal/Conservative/Radical government--pursued one public expenditure policy one day, and another the next? And can marginal voters, who believe in rejuvenation politics, understand that it no longer is so critical to achieve balance in the trade payments? Does the government risk losing its credibility?

In any case, the preparations for a change of direction have begun. Time will tell whether there is a political willingness this summer to implement the change which the Budget Department's increasingly more influential economists are calling for.

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ECONOMIC

DENMARK

SOCIAL DEMOCRATS ADMIT SCHLUTER SUCCESS IN BUDGET DEFICIT

Copenhagen BERLINGSKE TIDENDE in Danish 27 Apr 86 p 12

[Article by Frank Dahlgaard]

[Text] Prominent Social Democrats admit indirectly that the government and the Radical Liberal Party have rescued the welfare society from ruin because of high interest payments by putting an end to the borrowing on the part of the state.

Externally, the Social Democratic Party time and again charges the government with breaking down the welfare society because of its "anti-social retrenchment policy."

Internally, however, entirely different notes emanate from Social Democrats with an insight in economic policy matters.

The government's budget policy has been a success. This year, we actually have a budget surplus. Eleven years of borrowing have thus been put to an end, and the Danish welfare society has been rescued from ruin due to high interest payments. It was this very threat which caused us to give up in 1982.

No Social Democrats, however, dare say this openly today. They have not forgotten the fate of Steffen Møller, an economist within the Metal Workers' Union and a Social Democrat, when in October of 1984 he indicated in BERLINGSKE TIDENDE that the policy of recovery was in full swing rescuing the country from bankruptcy.

He was fired.

To remove the political smoke screen, it may in the present situation be useful to delve into the files and draw the attention to the statements made by prominent Social Democrats a few years ago on the budget situation.

Panic in 1982

We shall start with the situation 6 years ago.

In a TV-A broadcast on 29 February 1980, Knud Heinesen told then TV-reporter Hans Dam: "The endeavors to make cutbacks in the budgets of the public sector are, in fact, the beginning of a struggle to save the welfare state. If the present development continues unchallenged, our welfare society will be in serious danger."

Knud Heinesen was the following day supported by former Permanent Secretary of State for Finance Erik Ib Schmidt, who told BERLINGSKE TIDENDE: "The Welfare Society is being threatened, and the time has come to display courage and political vigor."

During the following period, Knud Heinesen did a lot to open the eyes of his fellow party members to the threat posed by the continued growth of public expenditures and the budgetary deficit.

On 21 April 1980 Knud Heinesen thus wrote in BERLINGSKE TIDENDE: "At present, we need not make any major changes in the welfare society, but if we let matters take their course, the economic difficulties will, in the course of the following years, increase to such an extent that we shall be forced to make essential cutbacks within the welfare society, and we do not want to do that."

They did, indeed, listen to Knud Heinesen's requests but did not take his advice. The expenditures of the public sector kept increasing, and the budget deficit became increasingly larger.

At the national congress of the Social Democratic Party on 6 September 1981, Steffen Møller, economist at the time of the Metal Workers' Union, warned of an impending national bankruptcy, but most people shook their heads with a smile.

The following year, however, the faces of the Social Democrats set:

In the course of the summer of 1982, panic started spreading within the Social Democratic parliamentary group at the unchecked growth of the national deficit and burden of debt.

In July of 1982, Knud Heinesen wrote in the party organ NY POLITIK: "Who are financing the national deficit by purchasing the bonds issued by the state? That is, of course, the well-to-do. And who will be making the enormous service payments on the national debt? That is, of course, first and foremost, the ordinary taxpayer. The deficit policy leads to a redistribution within the society, which we clearly have to oppose. We, therefore, have to plan an economic policy which will reduce the deficit."

When Henning Jensen, Social Democrat and chairman at the time of the finance committee of the Folketing, realized this unintentioned and anti-social consequence of the deficit policy, he proposed that the state simply refrain from paying interest on the state bonds that had been issued:

"That is what some people call national bankruptcy, but I find this an incorrect term," Henning Jensen told the daily INFORMATION on 22 July 1982.

The statement attracted the attention abroad, and German and Swiss banks immediately suspended their lending to Denmark. They naturally did not want to grant any further loans to a state which might indicate that it did not want to meet its service payments.

In the summer of 1982, the Social Democratic parliamentary group had finally come to realize that if the welfare society were to be saved, the deficit of the state would have to be reduced considerably.

On 1 September 1982, Anker Jørgensen therefore presented an economic plan which involved cutbacks of 10 billion kroner in the national budget, including cutbacks in sick leave payments, welfare payments, child allowances, national pension payments, daily unemployment benefits and block grants to the municipalities.

It is largely such cutbacks that were subsequently made by the Four-Leaf-Clover Government under Social Democratic protests.

Hypocrisy Revealed

Most Danes have probably forgotten why Anker Jørgensen gave up in the fall of 1982 and voluntarily surrendered the government power to Poul Schluter. The reason was neither the balance of payments deficit, nor the inflation, nor the high unemployment rate. The reason was the enormous domestic borrowing due to the big and growing budget deficits. It was this that constituted the threat to the welfare society.

A few additional excerpts from the files will reveal the Social Democratic hypocrisy in accusing the government and the Radical Liberal Party today of pursuing "an antisocial retrenchment policy turned against the welfare society."

In December of 1982, Mogens Lykketoft wrote in NY POLITIK on the domestic borrowing of the government: "In the course of a few years, an enormously large portion of the national product will have to be set aside for coupon clippers if we continue the high interest rate, the policy of borrowing and the economic recession. That would result in accelerating inflation, uncontrolled devaluations and continued declines in real wages. That is why we cannot avoid the necessity of intervening within the next few years to effectively change the trends. No government can doubt that."

Indeed, Mr. Lykketoft, the Four-Leaf-Clover Government did not doubt that either. That is why it took the steps asked for to "effectively change the trends."

On 21 June 1983, former Minister of Housing Erling Olsen, Ph.D. in political science, (Social Democratic Party) said at a conference at Hindsgavl: "A realistic Social Democratic policy cannot escape a total stop to the growth of public expenditures. It is the private sector which now has to grow."

Like Mogens Lykketoft, Erling Olsen also gave expression to great concern about the continued growth of the national debt and the thus increasing interest burden.

Indeed, it is exactly the wanted realistic policy which the Four-Leaf-Clover Government has since then carried through with the result that, in 1986, the state has a surplus and the interest burden is declining.

Still in 1984, the results of the policy pursued by the Four-Leaf-Clover Government were modest, and the Social Democrats gave expression to continued concern about the domestic budget deficit of the state. On 18 May 1984, Mogens Camre (Social Democratic Party) thus wrote an article in the daily POLITIKEN with the heading: "The Welfare State About to Go Bankrupt on Account of High Interest Payments."

Mogens Camre pointed out in the above article that "there are no indications that the deficit problems of the state will disappear within the foreseeable future via lower unemployment rates and higher tax revenues."

Things Going Incredibly Well

Today--merely 2 years later--the national deficit has actually disappeared as a result of lower unemployment rates and larger tax revenues ...

Indeed, the statement: "Things are going incredibly well," made by Prime Minister Poul Schiuter 2 weeks ago was well-founded.

The fact of the matter is that not even the greatest superoptimist would have dreamed 2 years ago that we would already in 1986 have a budget surplus.

Not even Steffen Møller believed this to be possible. On 31 October 1984, he wrote in BERLINGSKE TIDENDE, business section: "It is not blind optimism to imagine that the budget deficit would be gone already in 1988 if we are able to maintain the favorable trends that we are now experiencing."

Steffen Møller was fired because of this statement. Ironically enough, events proved Steffen Møller's optimism to be more than justified.

Indeed, things are going incredibly well. Those who have ridiculed this statement by the prime minister have merely revealed their own poor memory.

Finally, a single quotation from the book: "Shall We Be Able to Keep the Welfare State?" published in June 1984 by Bent Rold Andersen (Social Democratic Party), former member of the Independent Advisory Council and later on Minister of Social Affairs:

"Reducing and, in the long view, eliminating the budgetary deficit is a prerequisite for the survival of the welfare state during the next few decades."

It can hardly be put more clearly by a shrewd and honorable Social Democrat: By eliminating the deficit of the state, the Four-Leaf-Clover Government has benefitted the welfare society."

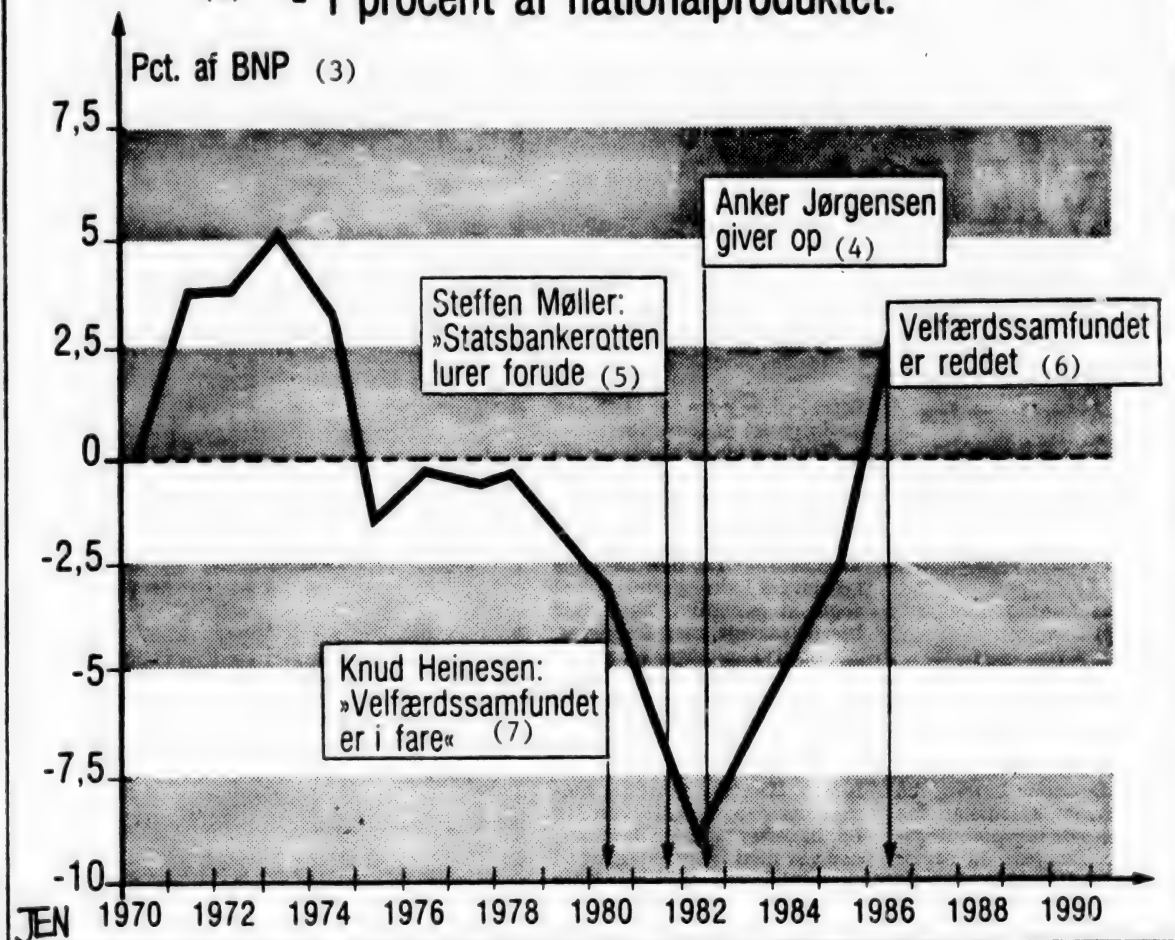
The hypocrisy has been revealed.

The Social Democratic Party should from now on stop its flow of slogans and empty phrases about "the government's brutal and antisocial retrenchment policy."

The fact of the matter is, indeed, that together with the Radical Liberal Party, the Schluter government has essentially been pursuing the very policy that the Social Democratic Party found necessary but did not have the courage to carry through.

(1) Den offentlige sektors overskud/underskud

(2) - i procent af nationalproduktet.



Key:

1. Surplus/Deficit of Public Sector.
2. In percentages of national product.
3. Percentage of GNP.
4. Anker Jørgensen giving up.
5. Steffen Møller: "Bankruptcy of state looming ahead."
6. Welfare society rescued.
7. Knud Heinesen: "Welfare society endangered."

Source: FINANSREDEGØRELSE 1986 as well as SMÅTRYK No. 49 from the Ministries of Finance and Economic Affairs. Graph by Jan Egeberg.

7262

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ECONOMIC

DENMARK

STUDY FORESEES RAPID POPULATION DECLINE AFTER YEAR 2000

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 86 p 12

[Commentary by Frank Dahlgaard: "This Is How Denmark Could Be Depopulated"; first paragraph is BERLINGSKE TIDENDE introduction.]

[Text] In only 160 years the Danish population will be under 1 million if the birthrate remains unchanged. Population experts do not believe there will be a decisive rise in the desire to have children.

If the desire to have children remains unchanged the Danish population will simply die out--and it will happen much faster than most people think.

During the next 200 years the population will decline from the present 5.1 million to 600,000 people, and in 300 years there will be less than 200,000 Danes remaining. By that time the entire Danish population can live in Arhus!

This is shown by calculations which BERLINGSKE SONDAAG has performed with the assistance of population expert Professor P. C. Matthiessen at the University of Copenhagen.

The past couple of years' modest growth in the birth rate does not shake the calculation.

Today there are 1.5 children born per woman, compared with 1.4 children per woman in 1983 and 1984. If the population is to be maintained over the long term, however, the average number of children per woman must rise to over 2.

Professor P. C. Matthiessen told BERLINGSKE SONDAAG that he thinks it is unlikely that the birth rate will again rise to the level of earlier times. The main cause of the low figures for births is women's changed role in society, said the professor.

Against this background BERLINGSKE SONDAAG asked Professor P. C. Matthiessen to calculate how the population of Denmark will develop in the coming centuries under the following three assumptions: 1. The birth rate remains unchanged at the present ca. 1.5 children per woman. 2. The death rate also remains unchanged for all age groups. 3. Immigration and emigration to and from Denmark cancel each other out.

Halving Time:58 Years

Under the stated assumptions, after a transition period of 50-60 years, the population will decline at a constant rate of 1.2 percent per year. That means that the population will be halved over a period of only 58 years.

Using this information from Professor P. C. Matthiessen, BERLINGSKE has calculated future developments in the population.

For the next 40 years the latest population forecast from Denmark's Statistical Bureau will be the basis of the figures. With an unchanged birth rate that shows a Danish population in 2025 of 4.3 million. In the following 25 years the population is assumed to fall by 1.0 percent per year, and after 2050 the decline will stabilize at the stated 1.2 percent per year.

These developments mean that in 72 years the population will fall to only 3 million. In 100 years there will be fewer than 2 million Danes remaining, and in ca. 160 years the population will be less than 1 million people.

The figures show how the Danish population will die out under the stated assumptions.

Two questions arise in this connection.

In the first place: Is it probable that the assumptions behind the calculations will hold, so that the population will actually decline as shown by the figures?

And in the second place: In the given case, is it good or bad if the population shrinks so drastically.

Absolutely Probable

The first question must be answered with a "yes."

Population statistics show that the birth rate, with small interruptions, has been falling steadily since the industrialization of Denmark began one hundred years ago. The drop in births has been especially rapid during the past 20 years, as equality between the sexes has begun seriously to be felt.

As Professor P. C. Matthiessen says, there is no reason to believe that this historic decline in the desire for children will be eliminated within the foreseeable future by the strong increase which would be necessary if the population is merely to be maintained. Perhaps, the professor added, a marked reduction in working time at some point in the future can change the situation.

Perhaps.

The assumption that immigration and emigration from Denmark over the long run will also rise is similarly probable. The net immigration to Denmark has

historically been very modest, and even if Denmark is gradually depopulated, there will hardly be more of a stream coming in for that reason. In the other Nordic countries, where the population density is six times less than in today's Denmark, they are not experiencing any immigration pressures.

On the other hand England and West Germany, where the population density is much greater than in Denmark, have experienced a significant net immigration in the last part of this century.

There are also apparently other factors besides population density playing a role in the question of immigration and emigration.

In further consideration of the first question it can be useful to take a look back at historic developments.

At the time the first census was taken in 1769, the Danish population was about 800,000. If at that time someone had predicted that the population in the next 200 years would be increased sixfold, he would hardly have been believed.

Today there are Danes alive who are over 100 years old who have experienced a Denmark populated with only 2 million people. In 59 years, (from 1885 to 1944) the Danish population doubled from 2 to 4 million people. Why should it then be impossible to imagine that the population over a corresponding number of years can be halved again?

In 1972 we passed 5 million, and in 1980 we passed 5.1 million inhabitants. Since then the population has declined, apart from last year, when an unusually large stream of refugees has temporarily halted the decline of inhabitants.

All predictions, however, point in the direction of a continued decline in the population. The only question is how dramatic the decline will be.

Most people react instinctively with deep concern at the prospect of a drastic decline in the population.

For centuries we have become accustomed to population growth, and therefore find it difficult to adjust to the new situation, such as a declining and aging population.

But just because a development is new, it does not necessarily need to be bad or dangerous.

Although Denmark today can feed a population of 15 million people (we export two-thirds of our agricultural production) there is hardly anyone who finds this population desirable in Denmark. It would mean a population density here in Denmark of Netherlands proportions.

Presumably there are a number of people who already feel that Denmark is overpopulated. Actually we belong among the most densely populated countries in the world, with our 119 inhabitants per square kilometer.

It is worthy of note that even if the Danish population should shrink as shown by the figures, Denmark with only one million inhabitants in the year 2150 would still be more densely populated than Sweden is today.

The Danish population will go down all the way to about 800,000 before we are as thinly populated as Sweden is today.

Naturally a falling population figure is not without problems, but one should realize that a smaller population also solves problems.

We would have more room in Denmark, less traffic, less noise, less pollution and generally less of a burden on our meager and vulnerable nature.

Fewer Danes also means less housing problems and lower prices for land. A smaller number of youths will furthermore mean that youth unemployment will disappear and that crime will decline.

Finally the composition of the population in Denmark's future, the relatively more older and fewer younger people mean that we will have a more experienced and more mature population.

And that is not so foolish.

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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BERLIN BANK INVESTS RECORD 1985 PROFITS IN EXPANSION

Duesseldorf HANDELSBLATT in German 19 Mar 86 p 8

[Article signed "as": "New Holding Company for Berlin's Middle-Market Economy"]

[Text] Berlin, 18 Mar--The 1985 financial report for the Berliner Commerzbank AG [Berlin Commercial Bank, Inc.], Berlin, is its best ever. The profits, characterized as "exceptionally satisfactory" by board member Seigfried Ernst, have made possible a further strengthening of the company's reserves, plus an increase in dividends to 18 (16) percent on the capital stock of 72.5 million DM held by the Frankfurter Commerzbank [Frankfurt Commercial Bank].

According to Ernst, the major factor in this growth--the balance-sheet total having expanded almost 14 percent, to 5.46 billion DM, and the volume of business 12.8 percent, to 5.6 billion DM--was consumer business, on both sides of the balance sheet. He estimated the consumer share of the credit and deposit business as over 70 percent, and that of securities, 90 percent. Consumer debts alone rose by nearly 307 million DM, almost 12 percent, to 2.9 billion DM, to make up 53.3 percent of the balance-sheet total. A cornerstone of the consumer credit business is still construction financing, which, at 1.9 billion DM, constitutes about 70 percent.

Ernst noted that over the past year the Berliner Commerzbank has been giving special attention to the structure of its debit side. Consumer deposits increased 9.2 percent, to 3.1 billion DM. Savings-account deposits showed an increase of 6.2 percent, to 938.9 million DM, with special savings accounts--especially fixed-rate investment accounts--leading the way. Total consumer savings with the Commerzbank were at roughly the same level as in the previous year, Ernst stated, but only about 155 million DM of the total had an effect on the balance sheet, since over half the increase went into securities. Despite a slight narrowing of the interest margin to 3.3 (3.4) percent, the average for 1985 showed a 7.3 percent increase in interest earnings, to 164 million DM.

The high operating profits, which passed the 100-million-DM mark for the first time, were used first of all for an additional provision against risk, although the net outlay of 39 (24) million DM reported for this

purpose constituted only the larger half of the allocated funds. After 25 million DM of the annual revenue of 40.3 million DM were set aside for reserves, the Berliner Commerzbank's capital resources amounted to 240 million DM, which represented about 4.4 percent of the balance-sheet total.

The Berliner Commerzbank will be proceeding with the planned expansion of its main Berlin office in 1987. With a cash outlay of 30 million DM, the bank will be creating an additional useful area of about 4000 square meters.

At the balance sheet press conference the board of directors also announced that the bank was establishing its own holding company. The Berliner Commerz Beteiligungsgesellschaft mbH [Berlin Commercial Holding Company, Ltd.], which has been provided with 2 million DM in capital stock, is intended to serve potential customers among medium-sized businesses with financing via equity capital and to work with these firms until they are able to join the stock exchange.

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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BERLIN ELECTRONICS FIRM SEES RAPID EXPANSION

Duesseldorf HANDELSBLATT in German 16 Apr 86 p 21

[Text] Berlin--The Berlin Elektro-Beteiligungen AG [Berlin Electronics Partnership, Inc.], Berlin, is taking giant strides forward in its course of expansion. The holding company, which was first admitted to the stock exchange in the fall of 1984, has doubled its number of partner companies, from six at that time to twelve in the 1985 portfolio. Berliner Elektro consequently is able to report considerable growth rates for the 1985 fiscal year.

As Dr Manfred Bernau, chairman, board of directors, reported in an initial survey of the 1985 fiscal year, sales climbed 54 percent, or 17.3 million DM, to 49 million DM, and profits after taxes rose 45 percent, or 1.1 million DM, to 3.44 million DM. It was proposed to the general meeting of June 18th that 1.0 (0.8) million DM of the profits be allocated to reserves and the rest be used to distribute a dividend, once again, of 11.5 DM per share of common stock and 12.50 DM per share of preferred.

Bernau stated that 8.1 million DM had been used to acquire the new partners and their real estate. That made a total of 33.1 million DM invested in partner companies and 2.5 million DM invested in real estate during 1984 and 1985. It is true that Berliner Elektro had no claim on the previous year's earnings from some of the corporations newly acquired during 1985. However, Bernau stated that the three partner companies Albrecht, Hubner and Preussler have a history of achieving super-high sales and profits, and thus have substantially contributed to improved earnings for the holding company. Overall, the income from partners cited in the annual report for 1985 increased 24 percent, to about 7 (5.6) million DM, and profits as a whole rose 29 percent, to 7.3 (5.7) million DM.

Berliner Elektro estimates that with its twelve partners, sales will roughly double during the current year, to reach nearly 70 million DM. Furthermore, it has in hand other commitments to join the partnership during 1986, so the growth could be even more substantial. At present, according to Bernau, negotiations are being conducted with seven companies, and two or three are on the verge of a decision. The takeover of a firm in southern Germany is anticipated for May, which will expand Berliner Elektro's holdings

geographically as well. It is hoped that this will provide additional impetus for the entire company, especially in terms of sales activity, which is showing distinct weaknesses in Berlin and elsewhere.

In addition, Bernau would like to have future acquisitions financed with the company's own resources. For this reason, there are plans to propose to the next general meeting new measures for raising capital which would ensure medium-range financing for the next five years. A share of the approved capital created at the last general meeting amounting to 3 million DM was used at the beginning of 1986 to increase the capital stock from the previous 10 million to the current 11 million DM. The remaining 2 million DM of approved capital will probably be tapped at the end of 1986.

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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BERLIN RESEARCH CENTER FOR PRODUCTION TECHNOLOGY OPENS

Duesseldorf HANDELSBLATT in German 2-3 May 86 p 19

[Article signed "as": "Theory and Practice Under One Roof"]

[Text] Berlin, 1 May--After three and a half years of construction and a cash outlay of almost 136 million DM, the Produktionstechnische Zentrum Berlin [Berlin Production Technology Center]--the "double institute" of the Berlin TU [Technische Universität; Technical University] and the Fraunhofer Company--is now open. With approximately 300 jobs for scientists, technicians and administrators, it constitutes, in the words of TU President Prof. Manfred Fricke, another great research center for Germany in the field of production technology.

Under the leadership of Prof. Gunter Spur, the TU Institute for Machine Tools and Manufacturing Technology and the Fraunhofer Institute for Production Machinery and Design Engineering, which has joined forces with the university via a cooperative agreement, will be working together on further developments in factory automation. A special feature of the new building is the testing area, in the form of a large circular hall. Surrounding this field laboratories, computer systems and special work areas. A useful area of 15,000 square meters is available to both institutes.

As stated by Secretary of State Hans-Hilger Haunschild, the Fraunhofer Institute's industry-oriented research, guided by orders, will be able to benefit from direct access to the more fundamentals-oriented university research, while at the same time students and doctoral candidates will be able to draw on the practical skills which are a necessity for Fraunhofer Institute.

The Berlin Senator for Science and research, Prof. George Turner, emphasized that the machine models and manufacturing systems invented and developed at this "double institute" will probably have a tremendous influence on industry in years to come. Some of the most important features of the "factory of the future" will be developed in Berlin, Turner stated, a fact which will also help to ensure the competitive strength of our economy. Turner expressed the hope that the "double institute" would become known as a center for machine design far beyond the confines of Berlin.

In addition, the involvement of scientists in economic practice is a prerequisite for participation in the international market and for the creation of new jobs in keeping with the times. Anyone who measures the development of robotics only on the basis of the number of jobs being performed by robots has not understood the signs of the times and is not doing the employees concerned any service. We do not have the option of preserving outmoded and frequently unpleasant jobs, said Haunschild, since they will not survive technical developments in any case. It would consequently be better to take active steps to replace them with new ones.

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ECONOMIC

NETHERLANDS

NATIONAL BANK REPORTS ON INVESTMENTS, JOB, BUDGET DEFICIT

Growth of Investment

Rotterdam NRC HANDELSBLAD in Dutch 29 Apr 86 p 19

[Article: "After a Sharp Decline in the Seventies, Investments Are Growing the Fastest in the Netherlands"]

[Text] Amsterdam, 29 April--Corporate investments in the Netherlands have recently risen faster than in other industrialized Western countries, even if the decline in the Netherlands since the beginning of the seventies has been relatively sharp. So writes the Netherlands Bank in its annual report that was released today.

In 1970, gross corporate investments in the Netherlands, expressed as a percentage of the gross national product, were relatively high. Between 1970 and 1982, however, this figure fell from 15.2 percent to 10.1 percent. In the Federal Republic of Germany, there was a drop from 14.5 percent to 11.8 percent. Since then, this investment figure has risen in the Netherlands by 0.9 percent to 11.0 percent in 1985; in West Germany there was a rise of 0.3 percent to 12.1 percent.

In 1985, the level of investment in equipment was comparable to the high point of the seventies. Corporate investments in buildings, on the other hand, declined again last year. Government investments also fell again in 1985, by 2.5 percent.

The recovery in investment that first appeared in 1984 was preceded by a recovery in corporate profits. These profits rose again in 1985. Earned income, expressed as a percentage of the total added value (excluding home ownership, mineral income and public services), sank from 87 to 85.5 percent. This earned income figure was still at 92 percent in 1980. Thus, the share of capital income is now again at the level of the beginning of the seventies. That level, moreover, still remains low compared with the situation in the sixties. Because interest payments stabilized, the improvement in capital income was chiefly to the advantage of those producing independent capital (and shareholders).

At the beginning of the eighties, the profitability of independent capital for the larger industrial concerns amounted to about five percent, at an interest rate of 10 to 11 percent. These relationships have changed drastically in the meanwhile, in favor of the profitability of independent capital. In 1983, both amounts were the same, and in 1984, the profitability of independent capital had risen to 12.1 percent, with an interest rate of 9.4 percent. The interest rate has dropped further in 1985 and 1986. President Duisenberg of the Netherlands Bank said yesterday that one can expect a further drop in interest rates to make investing even more attractive than saving, as a result of which the investments might climb even higher.

The recovery in investment is being accelerated, according to Duisenberg, by possible cuts in the WIR [Investment Regulation Act]. "Some doubt about the continuance of the (fiscal) investment grants may have caused businessmen to take profits as long as it is still possible," he states in the central bank's annual report.

In recent years, industry, excluding the housing sector, has had a financing surplus. This contrasts with situation in 1965-1974 when firms had an average deficit of 3.4 percent of the net national product. In 1985, however, the financing surplus will decline from 3.4 to 2.4 percent of the national income. This drop was the result of a growth in net investments (gross investments minus write-offs and old investments) from 2.8 percent of the national income in 1984 to 4.1 percent in 1985.

Despite this recovery in investment, the liquid assets in industry have risen "considerably" in the last year, according to the Netherlands Bank. This is clear in reports from the banks and clearing services. Figures from the Central Office for Statistics indicate, on the other hand, that the liquid assets of the 250 largest firms has remained stable. From this and from other facts, the Netherlands Bank concludes that the recovery in investment in 1985 was localized chiefly in the large concerns. The medium-sized and small firms, who depend primarily on the domestic market, may profit from the recovery later, with the demand for goods and services, than the larger, more export-oriented firms. Now, it is their turn to invest.

Employment Rising

Rotterdam NRC HANDELSBLAD in Dutch 29 Apr 86 p 19

[Article: "Number of Jobs in the Netherlands is Growing More Sharply Than Elsewhere in Europe"]

[Text] Amsterdam, 29 April--In 1985, the number of people with paid positions in the Netherlands rose more quickly than elsewhere in Europe. Employment in the Netherlands rose by 1.75 percent, in the EEC by 0.5 percent. In the United States, the number of people with a job increased by two percent. Over the entire period of 1975-1985, Dutch employment rose more sharply than in other European countries, excepting Sweden. This is made clear in figures drawn up by the Netherlands Bank.

The growth in employment, measured in number of people, has been stimulated in the Netherlands by a strong expansion of the phenomenon of part-time work. Expressed in full work years, the growth is smaller (one percent). While the number of people with a paid position increased by 95,000 in 1985, the growth in work years was significantly lower: 40,000.

Employment in the market sector grew by 35,000 work years in 1985, after an average annual decline of 85,000 work years in the 1982-1984 period. The growth took place chiefly in the commercial services sector and in industry. Since 1965, employment in industry had declined by 2.25 percent annually.

The Labor Foundation's recommendations in November 1982, directed towards a recovery in output and a redivision of labor, have led in the meanwhile to a generic reduction in working time, which resulted in extra employment of 50,000 work years, according to the Netherlands Bank's analysis. The reduction in work time went hand-in-hand with a proportion decrease in labor costs.

Government Deficits

Rotterdam NRC HANDELSBLAD in Dutch 29 Apr 86 p 19

[Article: "Next Cabinet Will Also Have To Bend Sharply"]

[Text] Amsterdam, 29 April--the government deficit will probably remain stable this year, but will rise again next year. This means that the next cabinet's keynote will also have to be deficit reduction. Thus, the prospect of tax cuts vanishes below the next cabinet's horizon. So stated Dr W.F. Duisenberg, president of the Netherlands Bank, yesterday at the presentation of the bank's annual report, which was released this afternoon.

According to Duisenberg, the view of the governmental deficit is made difficult because residential construction corporations are accelerating redemption of their Housing Act loans. These receipts are making the national deficit smaller. But since the redeemed loans have to be financed anew, by lower levels of government or directly on the capital market, one must in fact speak of a growth in the collective expenditures financed from outside of the budget. The acceleration of Housing Act loan redemptions in 1986, a result of the drop in interest rates, will amount to several times that of 1985 (2.3 billion guilders), according to the president of the National bank.

Not Afraid of Deflation

On the whole, the Netherlands Bank is not afraid of deflation. According to Duisenberg, the current drop in prices is a result of two specific, temporary factors: The decline in the exchange rate of the dollar and the falling energy prices. "These causes will come to an end," he stated in a note to the Netherlands Bank's annual report.

"Pension Premiums Will Not Be Lowered"

Retirement benefits in the Netherlands are relatively generous and the Dutch pension funds are among the richest in the world. They dominate the capital market and account for the lion's share of family savings. Since industry

finances itself on the balance, the Netherlands have had a large national savings surplus for several years now, despite the large government deficit. Finance Minister Ruding asked last year for lower pension premiums, to the benefit of buying power.

The deficit of the national government and that of the lower levels of government, including all current expenditures outside of the budget, together declined between 1982 and 1985 from 10.1 percent of the national income to 8.1 percent. This year, the deficit will possibly remain stable, said Duisenberg, while a larger deficit must be expected again next year.

As a result of rising interest burdens, says Duisenberg in his "Report by the President", the national government has failed, in the four years up to and including 1986, its attempt to reduce expenditures as a percentage of national income. This figure remains stable. This attempt did succeed in the lower levels of government and in social security. Here, the portion of the total collective expenditures fell by 3.5 percent between 1983 and 1986. Part of this drop in expenditures, however, was used, to the displeasure of the Netherlands Bank, for cutting taxes, first for industry in 1985 and then for individuals as well. "We will be paying the price for this choice in the form of ever rising interest burdens," says Duisenberg.

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ECONOMIC

NETHERLANDS

ECONOMIC MEETING WITH CUBA POSTPONED INDEFINITELY

PA081802 Buenos Aires REUTER in Spanish 2035 GMT 7 May 86

[Excerpt] Havana, 7 May (REUTER)--The Netherlands has indefinitely postponed a bilateral economic meeting with Cuba due to a "lack of clarity" regarding future payments of the Cuban foreign debt, a Netherlands Embassy official told REUTER today.

The official said that "the lack of clarity" regarding Cuba's future payment of its foreign debt of \$3.5 billion, was the reason why the meeting of the Joint Bilateral Commission for Technical Cooperation and Development was postponed. It was scheduled to take place in Havana on 12 May.

Cuba recently informed its creditors in Havana that it has declared a 90-day grace period for the majority of foreign debt payments as of 5 May.

The Cubans also asked their creditors to grant a 2-year moratorium for the payment of the debt, with the exception of short-term commercial loans.

Western diplomats said in Havana that Great Britain is also considering cancellation of their Joint Bilateral Commission meeting with Cuba, scheduled for June.

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CSO: 3548/59

ECONOMIC

TURKEY

ECONOMIC INDICATORS REVISION URGED

Istanbul DUNYA in Turkish 15 Apr 86 p 3

[Article by Uluc Gurkan in the column "Point of View": "In Search of Truth"]

[Text] It is doubtless unavoidable and the right thing to do for Turkey to revise the indexes associated with its rather old and outmoded economic indicators. From this standpoint, it was a positive act to abandon the conventional approaches and switch to accounting methods that conform to international, otherwise known as IMF, standards in the balance of payments and budget.

However, converting Turkey to international standards in accounting methods was done because performance would look better than by the old method rather than because it was right. This motivation is especially telling in the budget.

Constant internal revisions have also been made in the indexes in an effort to make performance look better.

For example, on instructions from the Office of the Prime Minister, transit trade was added to foreign trade data in the balance of payments. The intent was to show growth in the volume of foreign trade, mainly exports.

In the same way, Turkish citizens' foreign exchange deposit accounts in the banks were taken out of Turkey's short-term foreign debts. Even though the banks have foreign-exchange repayment obligations as they would with any foreign credit, these accounts do not appear among the debt figures.

Finally, well-head prices on crude oil produced within the country by the Ministry of Energy and Natural Resources were retroactively reduced at the beginning of March. As a result, the wholesale price index could be reduced to .002 in February and .003 in March.

The world decline in crude oil prices may require a reduction in domestically-produced crude prices as well. However, we must not forget that the reduction in crude oil prices is not reflecting on domestic prices. In this case, a retroactive adjustment whose only effect is to slow the rise in the wholesale price index does not seem very meaningful.

Nevertheless, despite the fact that adjustments of this kind may create the impression of positive economic performance in appearance, they do not, of course, have any effect on the real course of the economy. Removing Turkish citizens' foreign exchange accounts from the short-term foreign debt burden has not prevented a foreign exchange panic in the banking sector.

Reducing the well-head price of domestically-produced crude to make wholesale prices look good is not going to give anyone the chance to use energy at this paper price.

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CSO: 3554/33

ECONOMIC

TURKEY

BANKRUPTCIES RISE SINCE 1980

Istanbul DUNYA in Turkish 2 Apr 86 p 3

[Text] Istanbul ANKARA AGENCY) - In the seventh year since the 24 January stabilization measures were instituted, incidents in the business world of "bankruptcy," "requests for reorganization," "liquidation" and "going out of business" are seen to have reached significant proportions.

According to data gathered, in the 6 years in which the 24 January measures have been in effect, 980 companies with total capital of 17.7 billion liras declared bankruptcy, 114 requested reorganization, 10,993 liquidated and 68,345 individuals went out of business.

Prime Minister Turgut Ozal said these developments were "the inevitable result of structural adjustment policies in industry," while experts describe the present picture as a "purge operation" and say, "The dimensions would be even worse if it had not been for the salvage operations."

"Bankruptcies," "requests for reorganization," "liquidations" and "going out of business" occurred rapidly in the first years of implementation of the 24 January decisions, but a slowdown has been observed since 1983. This is attributed largely to completion "of the structural adjustment process." Experts involved, however, contend that "salvage operations" had a significant effect in the slowdown.

The number of companies declaring bankruptcy in 1980 was 55, but rose steadily in subsequent years to 243 in 1985. Also, the average capital of bankrupt companies in 1980 was 1.293 million liras, but rose to 43.945 million liras in 1985. The higher average capital of companies declaring bankruptcy after 1983 in particular contributed to this. It is also thought that the banks wiped out by the Kastelli operation helped raise the average.

Meanwhile, the number of firms requesting reorganization in 1980 was 2, but rose to 22 in 1985. The average capital of these firms was 5 million liras in 1980 and 91.8 million liras in 1985. This, too, as in the case of bankruptcies, strengthens the idea that relatively larger firms have been requesting reorganization in recent years.

Contract terminations and liquidations, meanwhile, were seen to number 1,143 in 1980, rising to 2,352 in 1981, but steadily declined after 1982 and dropped to 1,238 in 1985. Likewise, the number of individuals going out of business was 7,337 in 1980, rose steadily to 14,536 in 1984, but dropped to 9,447 by 1985.

Interpreting the tables on bankruptcies, liquidations and business abandonment from data compiled by the Turkish Union of Chambers and Exchanges, experts contend that the 24 January policies made a more intensive upheaval in the business world inevitable and, although the process picked up speed from 1980 to 1982, it slowed after 1983 and that both the course of events and the relief offered by the "salvage operations" undertaken by Ozal government, played an important role in that.

Bankruptcies			
Year	Firms	Total Capital (000 TL)	Average Capital (000 TL)
1980	55	71,154	1,294
1981	101	188,491	1,866
1982	158	750,219	4,748
1983	189	4,016,291	21,250
1984	234	2,000,000	8,547
1985	243	1,0678,583 [as published]	43,945

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ECONOMIC

TURKEY

EXPORT DEVELOPMENT SINCE 1980

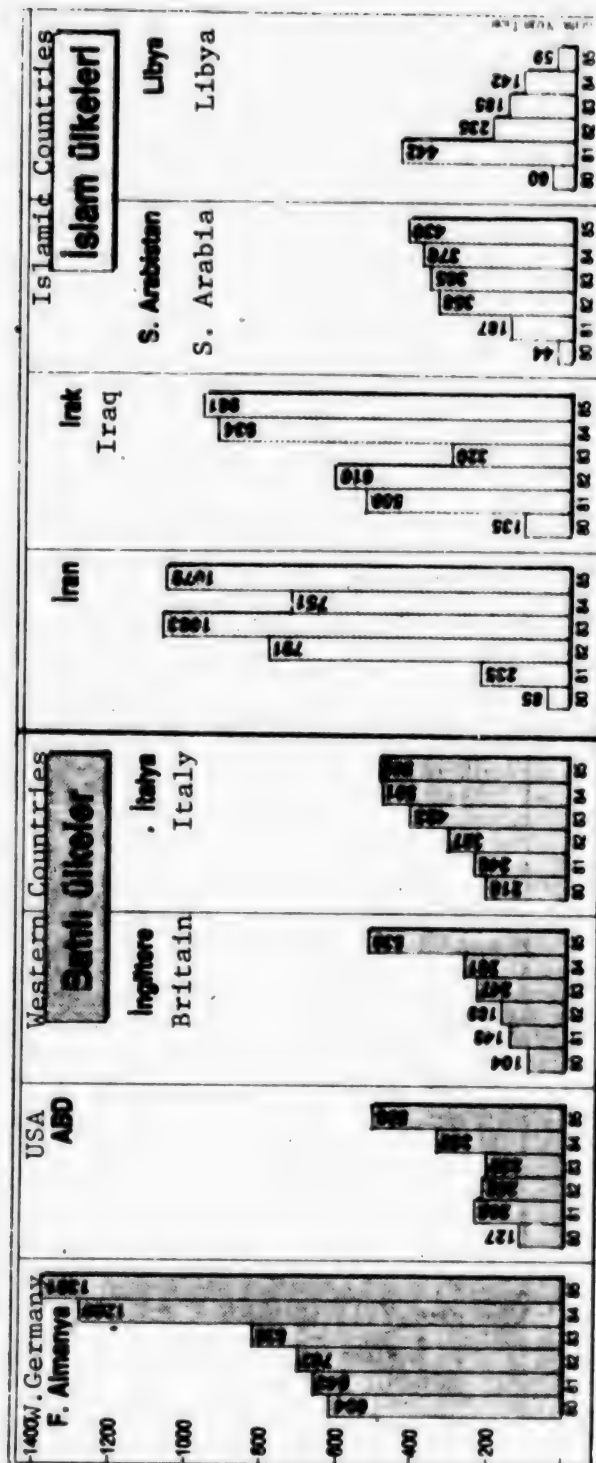
Istanbul CUMHURIYET in Turkish 3 Apr 86 p 9

[Text] ECONOMIC SERVICE - Export figures for the past 6 years show that Turkey pulled off an "export coup" by increasing its exports to oil-producing Islamic countries more than 6-fold, but actually realized more stable and steady increases on Western markets.

Turkey's exports to Islamic countries were around \$550 million in 1980, rising to \$3.4 billion in 1985, with the major share in this going to Iran with a 12.5-fold increase in exports, Iraq with a 7-fold increase and Saudi Arabia with a 10-fold increase. It was not unnoticed, however, that the increase in exports to countries such as Iran, Iraq and Libya, which were also selling oil to Turkey, was not a stable increase. For example, exports to Libya jumped from \$60 million in 1980 to \$442 million in 1981, but rapidly fell back to \$59 million last year. Political factors stood out alongside the economic factors in the large fluctuations in exports to those countries. According to the 1985 data, Iran (13.6 percent), Iraq (12.1 percent) and Saudi Arabia (5.4 percent) had a total share in Turkey's exports of 31.5 percent. If these countries reduce their imports from Turkey because of declining oil revenues, it seems inevitable that this will significantly reduce Turkey's total exports.

Increases in our exports to Western markets such as West Germany, Britain, the United States and Italy were perhaps noticeably slower but more stable. While our exports to France and the Netherlands have also shown a steady increase, the major OECD country to which Turkey's exports have not increased at all is Japan. Exports to Switzerland show an abnormal distention owing to phony exports, but returned to normal in 1985.

Export Development by Country 1980-85 (\$ million)



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CSO: 3554/42

ECONOMIC

TURKEY

CHEMICAL FERTILIZER EXPORTS

Istanbul DUNYA in Turkish 15 Apr 86 p 5

[Text] NEWS CENTER - Bagfas Conglomerate, Turkey's only producer of special bags for chemical fertilizer, exported \$70,801,936 in chemical fertilizers last year.

The firm made 1 billion liras on the packaging of 1.5 million tons of chemical fertilizers last year. Board Chairman Recep Gencer said, "Our companies produced almost 750,000 metric tons of chemical fertilizer, of four different types and qualities, in 1985, packaged 110,000 tons of imported fertilizer and has gross receipts of 110 billion liras, including nearly 80 billion liras in chemical fertilizer production, 25 billion liras in acid production, 3 billion liras in electricity and steam production and approximately 2.5 billion liras in polyethylene and polypropylene bag production, thus achieving 20 percent of the country's chemical fertilizer production and earning second place among all producers. Our company will be in the top 20 firms this year and will pay more than 2 billion liras in corporation taxes in addition to normal taxes."

Gencer said that last year they had exported 445,707 tons of chemical fertilizers of the triple super phosphate and diamonium phosphate type, worth \$70,801,936, to Pakistan, Britain, the USSR, Italy, Venezuela, Bulgaria, Syria, Iran, France, Indonesia, the PRC, Bangladesh, Sri Lanka, Nigeria, Saudi Arabia, Belgium and West Germany.

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CSO: 3554/33

ENERGY

NORWAY

NEW ENERGY MINISTER SEES COOPERATION WITH OPEC POSSIBLE

Oslo AFTENPOSTEN in Norwegian 12 May 86 p 10

[Article by Flemming Dahl]

[Text] Arne Oien, the new oil and energy minister, does not rule out the possibility that Norway might find it sensible to cooperate with OPEC (the Organization of Petroleum-Exporting Countries) to raise oil prices again.

"When the OPEC lands come up with a realistic plan, Norway should in its own interest and on the basis of our own situation evaluate what we can do to contribute to a development that will stabilize oil prices at a level that will also ensure continued development on the Norwegian continental shelf," Oien said yesterday.

But he stressed that it was hard to see how Norway could offer any help as long as the OPEC lands "cannot agree among themselves on a concrete plan."

Oien spoke just after taking over his ministerial office from his predecessor, Kare Kristensen, who has repeatedly rejected OPEC's demands that Norway reduce its oil production to contribute to the balance between supply and demand and thus to higher prices.

But there were also indications from the nonsocialist government that Norway might adopt a less negative attitude if the 13 OPEC lands themselves reached agreement on a limitation of their production. Therefore it is hard to say if Oien has a radically different view of the matter compared to his predecessor.

But the fact that Oien has decided to start off by holding the door open for cooperation instead of adopting a militantly negative attitude should be regarded as a positive sign in OPEC circles. This in turn could increase the OPEC countries' belief that internal agreement could be the first step on the road to higher prices.

Oien said that a possible cooperation with OPEC did not have to mean a conflict of interest between oil exporters and oil importers, because "the high consumption countries that depend on oil imports will be interested in oil prices that can guarantee future oil deliveries from different areas."

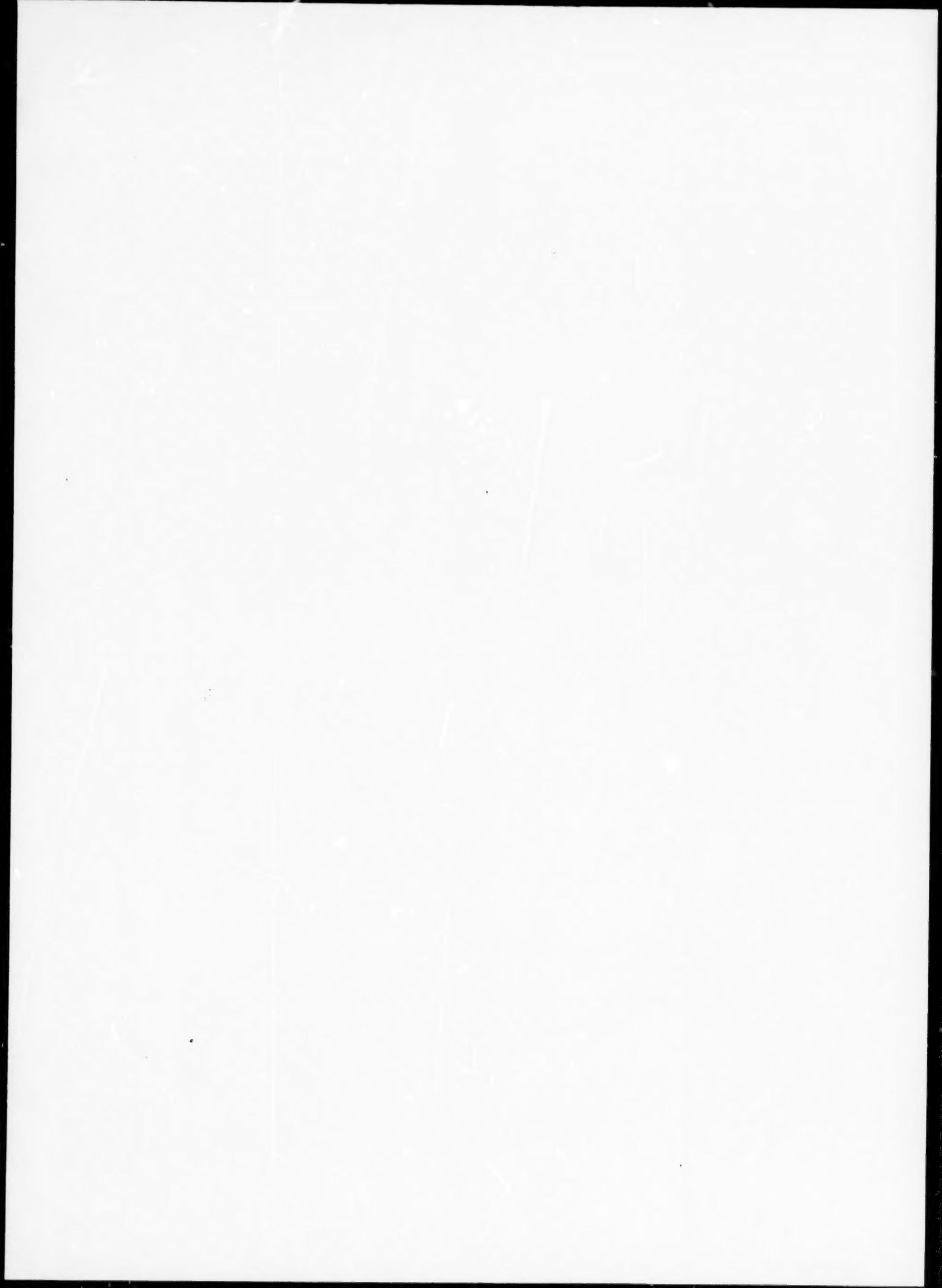
It is true that the major oil-importing countries have expressed satisfaction over the sharp drop in oil bills in recent months, but at the same time they have expressed concern that low prices will make exploration for oil in high-cost areas outside OPEC unprofitable. Such a development could give OPEC control over the oil market within a few years and then there would be nothing to prevent the cartel from pushing prices up to an undesirably high level.

Oien said that the oil companies' demand for favorable tax treatment and the crisis at several Norwegian shipyards will probably end up on his desk too--even though they are matters that primarily concern the Finance Ministry and the Industrial Affairs Ministry.

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